Warehouse robots

Automated handling and storage

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Japan

Why small business is more resilient

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World chemicals

Du Pont seeks a new formula

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New view or déja vu?

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FINANCIAL TIMES

Tuesday August 18 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Bosnian president supports idea of UN protectorate

Bosnia-Hercegovina should be placed under some form of United Nations protectorate, according to Bosnian President Alija Izetbegovic.

His backing for the idea comes in spite of fears that it could consolidate territorial gains by Serbs and Croats in the former Yugoslav republic.

Mr Izetbegovic supported the idea of a protectorate – the first time he has done so – during talks in Brussels on Friday with Lord Carrington, chairman of the EC-sponsored peace conference on Yugoslavia. Page 14; Editorial comment, Page 12; Yugoslav sanctions, Page 2

Opposition to Maastricht grows: Danish opposition to the Maastricht treaty has risen to 57 per cent since the June referendum, when 51 per cent of the electorate rejected it, according to an opinion poll. The treaty needs backing from Denmark before it can take effect next year. Page 14; Swedish opposition seeks EC role, Page 2

Ercros hit by Kuwaiti cuts: The Kuwaiti government appears to have been directly responsible for triggering the collapse of Spain's biggest chemicals group, Ercros, by cutting short a big transfer of funds to the Spanish industrial and property assets of the Kuwait Investment Office. Page 15; KIO's change of policy Page 16

Arabs may delay peace talks: Arab participants in Middle East peace talks are threatening to delay their arrival in Washington next week in protest at the US decision to grant Israel billions of dollars in loan guarantees. Page 4

Black's Daily News bid supported: Management of the Daily News, cash-strapped New York city tabloid, has voted to accept a bid by Canadian publisher Conrad Black. Page 18

Nippon Housing Loan, Japan's home loan company, which faces debts estimated at Y2,300bn ($18bn), announced that its nine major creditor banks had agreed to provide financial assistance for its restructuring programme. Page 18

Somalia aid airlift nears: A US military team has arrived in Kenya to prepare for an airlift of food into famine-plagued Somalia. Page 4

Wang shares continue to fall: Shares in Wang Laboratories, ailing US office computer company, fell another $⅞ to $¾ as speculation grew over the company's future. Page 15

Lufthansa pay offer: Germany's DAG trade union offered to accept longer working hours and less pay for 60,000 employees of Lufthansa, loss-making state airline. Page 2

Kmart, US discount retailer, reported flat profits for the second quarter of 1992 – $168m, compared with $163m a year earlier – and a small dip in earnings per share. Page 18

Group Lotus, UK sports car maker and automotive engineering consultancy which is a subsidiary of General Motors, suffered a pre-tax loss of £14.7m ($28m) last year. Page 15

Imports anger Argentina: Industrialists in Argentina are demanding their government reduce imports, especially from Brazil, which they say are damaging local industry. Page 3

Philips, Dutch electronics company, has slashed the US list price of its compact disc-interactive from $999 to $699. Page 16

Kinnevik, Swedish telecommunications and media group, intends to merge with Korsnas, Swedish pulp and paper company. Page 16

NY exchanges plan new home: Three New York commodities exchanges – the Coffee, Sugar and Cocoa Exchange, the Commodity Exchange, and the Cotton Exchange – have agreed on a $150m plan to build a headquarters and trading facility in lower Manhattan. Page 22

Head of BAe property arm resigns: Raymond Mould, chairman of British Aerospace's property subsidiary Arlington, has resigned from BAe's main board, clearing the way for the subsidiary's eventual disposal. Page 15; Lex, Page 14

Playmates, Hong Kong manufacturer of Teenage Mutant Ninja Turtles toys, reported a 57 per cent drop in half-year profits, from HK$409m (US$53m) to HK$175.5m. Page 19

Pakistan proposes Kashmir talks: Pakistan has formally proposed talks with India on the Kashmir issue, for the first time since the Simla Agreement was signed 20 years ago. Page 4

Castro should quit, says sister: Juanita Castro, sister of Cuba's president, has urged Fidel Castro to resign and let Cuban people "enjoy freedom", according to a German magazine. Juanita lives in exile in Miami, Florida.

■ STOCK MARKET INDICES		
FT-SE 100:	2,376.1	(+19.3)
Yield	5.06	
FT-SE Eurotrack 100	1,045.80	(+2.87)
FT-A All-Share	1,128.41	(+0.8%)
FT-A World Index	135.3	(+0.6%)
Nikkei	14,929.55	(+109.30)
New York:		
Dow Jones Ind Ave	3,324.89	(-4.05)
S&P Composite	420.74	(+0.63)
■ US CLOSING RATES		
Federal Funds:	3½%	(3⅛%)
3-mo Treas Bills: Yld	3.115%	(3.116%)
Long Bond	98⅞	(99⅓)
Yield	7.351%	(7.315%)
■ LONDON MONEY		
3-mo Interbank	10⅞%	(same)
Liffe long gilt future:	Sep 97⅞	(Sep 97⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$20.025	(20.05)
■ Gold		
New York Comex (Aug)	$336.9	(334.8)
London	$337.3	(335.45)

■ STERLING		
New York :		
$	1.925	(1.9215)
London:		
$	1.926	(1.9165)
DM	2.8175	(2.815)
FFr	9.5626	(9.54)
SFr	2.5325	(2.5375)
Y	242.25	(242.0)
£ Index	91.8	(same)
■ DOLLAR		
New York :		
DM	1.4645	(1.4645)
FFr	4.9625	(4.9675)
SFr	1.3165	(1.321)
Y	125.8	(125.965)
London:		
DM	1.463	(1.4685)
FFr	4.96	(4.9775)
SFr	1.315	(1.324)
Y	125.75	(126.25)
$ Index	69.6	(60.2)
Tokyo close Y 126.25		

Air exclusion zone planned to protect Shias after 'blatant violations' of ceasefire

West increases pressure on Iraq

By Roger Matthews, Middle East Editor, in Washington

THE US, Britain and France are planning to announce an air exclusion zone over southern Iraq later this week in an attempt to protect Shia rebels from attack and increase pressure on the regime of President Saddam Hussein.

US officials say the three governments have agreed that "blatant violations" of UN ceasefire resolutions passed at the end of the Gulf war can no longer be tolerated.

It is expected that Iraq will be told, perhaps as early as tomorrow, that helicopters and fixed-wing aircraft flying south of the 32nd parallel will be shot down.

The White House declined to confirm the reports but said it was concerned about the treatment of minorities in Iraq.

The announcement of an exclusion zone will be seen by some Arab governments as another step towards the political partition of Iraq.

The Kurdish population in the north already benefits from air protection above the 36th parallel. Some US officials believe that the increased pressures on Saddam Hussein could lead to the collapse of his regime before the end of the year.

Bush spurred by hopes that Saddam is finished ....Page 4

The threat of an immediate military confrontation over UN access to information on Iraqi weapons systems eased yesterday when inspectors in Baghdad completed their present round of visits without incident. US officials let it be known at the weekend that military action was being prepared if Iraq carried out its threat to bar the 22-strong inspection team from government ministries.

It had been expected in Washington that the UN team would specifically ask to enter the Ministry of Military Industrialisation. But in New York, Mr Tim Trevan, spokesman for the UN inspections commission, said no request had been lodged to visit ministries because there was no need to at this time. "Of course we retain the right to designate any location in Iraq," he added.

Mr Nikita Smidovich, the Russian who heads the team, said in Baghdad: "We have learned things that will be very useful and very helpful in our future inspection activities." He added that "normal relations" had been restored with Iraqi officials prior to yesterday's final round of inspections.

Oil prices initially rose on the threat of new hostilities, then slipped back when Mr Smidovich said his team's mission had been successful. But the market remained on edge about the possibility of western action over southern Iraq.

President George Bush has vehemently denied that the threat of renewed military action against Iraq was designed to boost his own flagging re-election campaign. However, in Indianapolis yesterday, on his way to the Republican convention in Houston, he evoked the spirit of the Gulf war, recalling that the US had "kicked a little Baghdad bully".

The US has in place all the military equipment it needs either to bomb targets in Iraq or enforce an air exclusion zone south of the 32nd parallel. Aircraft movements in Iraq would be monitored principally by Awacs aircraft flying out of bases in eastern Saudi Arabia, and supported by land and carrier-based strike aircraft.

A specialised team of air warfare controllers was dispatched to Saudi Arabia last week from its base in South Carolina.

The Saudi government, which has been concerned at the increasing signs of Iraqi assertiveness, is believed to have agreed to the use of its bases for US operations.

Republicans tackle infighting in Houston

By Jurek Martin in Houston

THE Republican party convention opened in Houston yesterday with half an eye on events in the Middle East, but more immediately concerned to settle its own internal battles without bloodshed.

It succeeded in avoiding a potentially divisive public debate in the first and only morning session of the week when abortion rights advocates conceded they did not have the votes to force discussion of the issue.

Governors William Weld of Massachusetts and John McKernan of Maine said only four state delegations – not the minimum six required – were prepared to call for a floor debate. Both said they had decided it was "more important" that the convention get down to its prime business of supporting the re-election of President George Bush.

But both regretted that the party platform called for a constitutional amendment banning abortion. Governor Thomas Kean of New Jersey, also a believer in freedom of choice, predicted that this would be the last platform with such a stipulation, thus agreeing with the position adopted last week by Mrs Barbara Bush and probably a majority of the electorate.

Even the safer Republican ground of attacking Mr Bill Clinton, the Democratic candidate, was not without controversy yesterday after the party's national treasurer accused him of being "a skirt chaser". This prompted the Clinton campaign to call on the president, who has publicly disavowed dirty politics, to fire her.

Mr Bush, en route to Houston, was probably on safer political ground when he told a rally of military veterans in Indianapolis that his opponent had no right to criticise his foreign policy record.

Referring directly to Mr Clinton's foreign policy speech in Los Angeles last week, Mr Bush said: "If anyone tells you imperial communism fell on its own, tell them you punched it in the guts and sent it down the backstairs of history." His audience, he noted pointedly, had not spent the Vietnam war "listening to the Beatles in London".

Mr Bush also pledged to turn his attention to US domestic problems in a second term. "We have changed the world and now we will change America because America is the land of eternal strength." He pledged to produce an economic revival plan to cut spending and use tax incentives "to get this country moving again" but offered no details.

Of more concern to the party were the polls showing how tough Mr Bush's task is in the 10 weeks before the election. Though some showed a narrowing of the gap to the 15-20 percentage point range, the extensive Los Angeles Times poll put Mr Clinton ahead by 56-33 per cent.

On a wide range of issues, the polls found that Democratic values and leaders seem closer to the current national norm than the Republicans'.

Political stormclouds, page 14

President Bush and his wife, Barbara, are given a send-off at the White House as they leave for the Republican convention in Houston. Some polls showed the gap between Bush and Bill Clinton narrowing to 15-20 percentage points, but the LA Times poll put Clinton ahead by 56-33 per cent

Hungary's spies turn to private enterprise

By Nicholas Denton in Budapest

HUNGARY'S secret service, casting around for a role after the collapse of communism, believes it has found a growth industry in investigating western businesses in the country.

The secret police, who only three years ago spied on opponents of the communist regime, will gain powers to confirm the credentials of foreign capitalists entering partnerships with Hungarian businesses, the government says.

"The National Security Office would like to prevent swindlers entering Hungarian commercial life disguised as businessmen," said Mr Tibor Fuzessy, minister for the security services, explaining the thinking behind forthcoming national security legislation.

The government's proposals follow a number of privatisation scandals as inexperienced Hungarian managers and officials, desperate for money to save faltering companies, prove easy targets for western conmen and speculators.

In one case, executives at a state-owned canning factory

Continued on Page 14

Chile awarded creditworthy status by US rating agency

By Leslie Crawford in Santiago

CHILE yesterday became the first of Latin America's problem debtors of the 1980s to meet international standards of creditworthiness when its debt was given an investment grade rating by a leading US credit rating agency.

The announcement that Standard and Poor's had assigned a BBB rating to Chilean government debt came 10 years to the week after Mexico triggered the Latin American debt crisis by announcing to the world that it could not meet its foreign debt payments.

The rating from S&P widens significantly the potential group of buyers for bonds issued by the Chilean government and its entities. Many investment institutions, particularly in the US, operate under guidelines which strictly limit the amount of below-investment grade debt that they can buy.

The rating, announced yesterday by Mr Alejandro Foxley, the finance minister, ranks Chile as the safest country in Latin America for foreign investors.

It places Chile in a category of countries of low political and economic risk for investment.

The rating ranks Chile above Mexico, Venezuela, Argentina and Brazil, which do not make the investment grade, and only slightly below the newly industrialised economies of south-east Asia.

"The rating should significantly decrease the cost of financing foreign investments in Chile," Mr Foxley said.

"It should strengthen Chile's reputation abroad as a reliable partner for trade and long-term investments." He forecast a big leap in foreign investment flows, which totalled $1.1bn last year.

Chile's economy is set to grow by 8 per cent this year – its ninth year of consecutive growth – while inflation is set to fall to about 13 per cent, from 18.7 per cent at the end of 1991.

In spite of the healthy macroeconomic outlook, the S&P evaluation cautioned that greater efforts were needed to bridge the income gap between rich and poor, and that Chile needed to improve its health and education services as well as its infrastructure.

It also noted that exports were still too dependent on copper, which accounts for about 40 per cent of Chile's foreign earnings.

Paradoxically, the investment grade rating comes at a time when Chile is trying to stem a flood of dollars into the country.

The dollar glut results from the country's trade surplus, and has led to an appreciation of the peso. Exporters complain that the strong exchange rate is damaging their competitiveness abroad.

The S&P rating is good news for Chilean companies seeking to raise capital abroad.

Mr Foxley, however, said that the central bank would regulate the growing number of domestic companies which want to tap the international financial markets "with extreme caution".

Editorial comment, Page 12

Austria	Sch30	Hungary	Ft182	Malta	Lm0.50	S Arabia	SR9 00
Bahrain	Din1 000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5 50	Norway	NKr15.00	Switz	SFr3 00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4 00	Jordan	JD1 20	Pakistan	Rs35	Tunisia	Din1 000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr6.50	Kuwait	Fils 500	Poland	Zl 18.000	UAE	Dh9 00
Germany	DM3 30	Lebanon	US$1 25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10 00		

CONTENTS

Union offers pay cut for Lufthansa staff

By Christopher Parkes in Bonn

GERMANY'S DAG white-collar trade union turned traditional negotiating tactics on their head at the weekend with an offer to accept longer working hours and less pay for its high-flying members.

The surprise initiative, revealed yesterday, came at Sunday's preliminary pay talks for the 60,000 employees of Lufthansa, the loss-making state airline, which will shortly announce a cost-cutting programme expected to include up to 10,000 job losses.

DAG, which earlier this year backed the ÖTV union in Germany's longest public-sector strike since the 1970s, said its aim was to help restore Lufthansa's fortunes.

The union's proposal, made after a hard-fought 1992 pay round between unions and employees in all sectors of industry, is the first suggestion that appeals for wage restraint from the government, Bundesbank and economists may have had some impact.

However, Lufthansa is a special case. While many companies are in difficulties, few can match the national carrier's DM542m ($370m) loss in the first half of this year, or its expected 12-month deficit of well over DM1bn.

If directors, management and other non-union employees followed the DAG lead, the company could save DM500m a year, the union claimed.

Lufthansa, caught unprepared, said only that the offer "could be an important contribution to the package of measures being prepared by the board". All proposals would be considered at the formal pay talks for the airline's 60,000 workforce which start on August 26, it said.

However, the more militant and far bigger ÖTV union said it saw no reason to change pay standards. It was wrong to put all the blame for Lufthansa's crisis on wages and staffing levels, officials said yesterday.

While it was prepared to co-operate, the priority had to be the company's "uncompetitive structure". Ms Monika Wulf-Mathies, ÖTV president, is deputy chairman of Lufthansa's supervisory board, which meets on August 31 to vote on the management's cost-cutting plans.

Union leaders have already been given copies of the plan, code-named Programme 93, which spells out the need for drastic economies. Lufthansa officials claim that personnel costs are 30 per cent higher than those of British Airways, and that numbers of administrative staff have increased 47 per cent since 1986.

Full details of the DAG offer were not available yesterday, but they included "adjustments" to overtime pay rates, and the sacrifice this year of the traditional "13th month's pay" Christmas bonus.

In return, the union said employees of the airline's internal flight subsidiary, Lufthansa Express, and its other undertakings should be paid and employed on the same terms as workers in the parent group. Lufthansa staff last night seemed resigned to the need for economies. Several said they appreciated the airline's difficulties and they would be prepared to work more overtime at normal rates and take home less pay if it meant job security.

A French UN soldier is kissed by a resident of Gorazde after a UN convoy lifted the siege on the town yesterday

Berlin's red scarf man quits

By Christopher Parkes in Bonn

THE star of Mr Walter Momper, who shot to international prominence as mayor of Berlin during Germany's unification celebrations, dived below the horizon yesterday.

"The man with the red scarf" resigned as chairman of the city-state's Social Democrat party after a short, sharp clash over his new job as general manager of Ellinghaus, a building and property company.

Complaining of attacks "bordering on vilification", Mr Momper, 47, said he had been surprised by the vigour of the assault and claimed enemies had seized on his new job as an excuse to get rid of him.

His political leadership had not been brought into question and there were no candidates for his job, he said yesterday. He had recognised the possibility of a conflict of interests between business commitments and political vocation.

Mr Momper gained local fame in 1989 after rallying SPD factions and leading the party to a surprise parliamentary victory over the CDU.

For a brief 20 months, as unification loomed, came and went, Mayor Momper – never without his red scarf – enjoyed popular support.

But off-stage, his wobbly coalition with the Greens was unpopular with many SPD stalwarts.

Although the CDU formed a government with the Social Democrats, there was no place in it for Mr Momper. Holding on as party chairman, he took a back seat in parliament. Resentments simmered and rivals waited for him to make a mistake. Finally he made two.

While Ellinghaus is above reproach, the Berlin property and construction business is no stranger to scandal and corruption charges. Second, and possibly worse, Mr Momper's new boss, Mr Gert Ellinghaus, is a member of Chancellor Kohl's Christian Democrats.

Swedish opposition seeks EC role

SWEDEN'S opposition Social Democrats want the right-centre government to agree a broad-based bargaining position with them before it starts its negotiating next year with Brussels on the country's future membership of the European Community, reports Robert Taylor from Stockholm.

The opposition's move comes in the face of substantial public hostility towards the EC. Mr Carl Bildt, the country's Conservative prime minister, hopes to complete the negotiations in early 1994 in time for a binding national referendum.

The Social Democratic leadership continues to back Sweden's EC application but questions whether Mr Bildt will defend the country's national interest in negotiations with Brussels. Many feel he has been too ready to argue that Sweden has no alternative but to join and that this could weaken his negotiating stance. Leading Social Democrats fear unless a bipartisan stance is worked out there will be a "no" vote against Swedish membership in the referendum.

As one adviser in the party said: "If we don't reach agreement on a common position I don't see how Sweden can join the EC."

The initial euphoria at the Swedish application on July 1 last year by the then Social Democratic government has long since evaporated. The Danish "no" to Maastricht earlier this summer increased what was already a growing hostility towards EC membership in Sweden.

A poll at the weekend showed 41 per cent of Swedes saying they would vote against the EC if the referendum was held now. Only 32 per cent were in favour, with 27 per cent undecided. A mere 18 per cent of Social Democratic supporters favour membership.

The Social Democrats' scepticism about the EC has become especially noticeable in the past few days. Mr Allan Larsson, the party's finance spokesman, questioned whether Sweden should accept a common currency within the economic and monetary union envisaged by the Maastricht treaty.

Doubts about the EC inside the main opposition party are also growing over possible Swedish involvement in an EC common security policy.

The end of the cold war led to a reassessment by Swedes of the meaning of their pragmatic neutrality, but many of them do not want to lose the country's right to decide for itself whether to belong to a system of collective security that may emerge inside the EC in future.

Mr Bildt appeared to reassure the Social Democratic leader, Mr Ingvar Carlsson, at the weekend that no serious differences existed between the parties over the issue of security.

But other questions are also crowding onto the Swedish EC negotiating agenda including agriculture, the environment and alcohol policy, where Sweden wants to retain a monopoly system designed to deter drinking.

UK under attack on Yugoslav sanctions

THE British Labour party yesterday stepped up its charges that the government had been slow off the mark in applying the United Nations trade embargo to Serbia, using new figures on the extent of bilateral trade with Yugoslavia, writes David Owen in London.

Referring to Customs and Excise statistics for June, the first month after the UN resolution calling for a trade embargo, Mr Robin Cook, shadow trade and industry secretary, said that trade in a third of all types of goods had increased in comparison with June 1991.

Examples of goods in which trade had increased included imports of iron and steel and exports of telecommunications equipment, Mr Cook said. "It is extraordinary that the government still cannot produce figures to show how much of this trade was with Serbia," he added.

● European Community officials yesterday did not endorse a plan put forward last week by the European Commission to make EC exports to Serbia and Montenegro subject to a triple licensing system, David Gardner adds from Brussels.

The Brussels proposal may, however, go into a broader package designed to reinforce sanctions against the two former Yugoslav republics, UK presidency officials said.

France holds inflation at 2.9%

French retail prices rose by 0.3 per cent last month, keeping the annualised rate of inflation at 2.9 per cent, one of the lowest in the European Community, Alice Rawsthorn reports from Paris.

France is committed to maintaining tight control of inflation as the cornerstone of its economic policy.

July's 0.3 per cent rise compared with an increase of 0.1 per cent in June. France still has a lower annualised rate of inflation than its main trading partners, notably Germany with 3.3 per cent, and the US with 3.2 per cent.

Finnish economy 'on right track'

The Finnish economy does not need outside financial assistance to recover from its present deep recession, said Mr Michel Camdessus, head of the International Monetary Fund, yesterday, after talks in Helsinki with government ministers, Robert Taylor reports from Stockholm.

"The economy is on the right path, its competitiveness has grown better, exports are increasing and inflation is low," added Mr Camdessus. "I can see no situation where Finland needs to come to the IMF for help."

Hungarians and Czechs seek unity

Czech and Hungarian leaders met yesterday in Budapest to salvage central European regional co-operation, the prospects for which have been damaged by the planned break-up of the Czech and Slovak Federation, writes Nicholas Denton in Budapest.

Mr Vaclav Klaus, the Czech prime minister, and Mr Jozsef Antall, his Hungarian counterpart, committed themselves to the Visegrad group of central European countries and to the goal of a free trade zone – whether of three or four members.

The two premiers took pains to include Slovakia in the process, saying that to isolate it was in no one's interests.

Defence minister vows to crush rebellion

Death toll in Georgia rises to 40

By John Thornhill in Moscow

THE death toll in the disputed Abkhazia region of west Georgia rose yesterday to at least 40, with Georgian leaders vowing they would crush the rebellion in renewed military action today.

Mr Tengiz Kitovani, Georgia's defence minister, yesterday demanded the immediate resignation of Abkhazia's parliamentary leader, Mr Vladislav Ardzinba.

"If he declines, we shall move forces into Sukhumi and disband his illegal parliament," he told Reuters at the former dacha of Josef Stalin on the Black Sea coast.

The Abkhazian leadership said they would not back down and appealed to the leaders of the Commonwealth of Independent States and the United Nations to persuade Georgia to withdraw its forces.

Fierce fighting erupted in Sukhumi, Abkhazia's capital, last week as Georgian forces reacted to the kidnapping of several senior officials, including the interior minister.

Although the officials were subsequently released, Georgia continued to press for the re-integration of the breakaway Abkhazian region, which declared its independence last month.

The centre of Sukhumi has been ravaged by gun battles as Georgian troops have fought Abkhazian irregulars. Looting broke out on Sunday night after the two sides began to disengage in line with a fragile ceasefire.

Georgia has put the death toll from the recent fighting at 40. But the independent Interfax newsagency quoted Abkhazian health ministry sources saying that at least 50 people had been killed with more than 200 wounded.

Mr Eduard Shevardnadze, the Georgian leader, is determined to preserve the integrity of the Georgian state both from the rebel region of Abkhazia and the still active forces of Mr Zviad Gamsakhurdia, Georgia's ex-president, who was deposed after a violent revolt in January.

Mr Shevardnadze told a radio interviewer yesterday: "I will do all I can to secure the unity of Georgia. I will be first in the ranks of fighters for every handful of Georgian soil."

Gorbachev urges faster reform drive

By John Thornhill

MR Mikhail Gorbachev, Russia's most famous private citizen, yesterday urged the country's leaders to speed up reform, warning of dire consequences if they failed in their task.

"I lagged behind events and they are doing the same today. If the leaders of Russia and the Commonwealth do not take the initiative, then others will seize it from them," the former Soviet president said.

His warning struck an ominous chord only two days before the first anniversary of the coup that hastened the disintegration of the Soviet Union.

Although Mr Gorbachev thought that only an "idiot or a crazy man" would attempt another coup, he warned of a more gradual and sinister coalescence of anti-democratic forces, threatening dictatorship or some form of neo-Bolshevism.

Armenian president faces stiff protests

By Steve Levine in Yerevan

ARMENIAN President Levon Ter-Petrosian yesterday defended himself against a growing tide of opposition to his handling ofthe war with neighbouring Azerbaijan.

Last night he won a parliamentary motion of no-confidence after three days of protests in the capital sparked by a series of Armenian setbacks in the war. Observers said that up to 50,000 people attended a rally in Yerevan last Friday, in which speakers demanded that Mr Ter-Petrosian resign.

"If I saw Ter-Petrosian, I'd kill him," said Mr Valeri Mirzaian, 46, an Armenian soldier who attended an opposition rally on Sunday night at Yerevan's Liberty Square. "We're not losing Karabakh. We're losing Armenia."

The four-year old war is centred on the Armenian enclave of Nagorno-Karabakh, which lies entirely within Azerbaijan. But the fighting has recently spilled over into other areas.

The weekend protesters in Yerevan expressed dismay with Azeri success in capturing several Armenian enclaves lying within Azerbaijan. Azerbaijan controls the north of Nagorno-Karabakh, or one-fourth of the enclave. Last week, Azerbaijan also captured the Armenian region of Artsvashen.

Mr Ter-Petrosian is thought still to enjoy majority support in the republic of 3.3m people. But "the opposition is growing stronger every day," said a western diplomat in Yerevan.

Mr Raffi Hovannisian, the foreign minister, defended the president's policies, and said Armenia might "reply in kind" to Azeri bombing last week of border villages. Mr Hovannisian also said the government might declare emergency rule "in the immediate future" in those regions bordering Azerbaijan. "Azerbaijan is carrying out a military final solution," he said.

Slow death by a thousand rumours of resignation

John Lloyd on why Russia's foreign minister has been hurt, perhaps fatally, by a campaign of denigration

THE FOREIGN policy of Russia is being conducted by a man who has been injured, it may be fatally, by a campaign of denigration and hostility which has gone so far as to threaten the effectiveness of his actions.

Mr Andrei Kozyrev is increasingly cut out of the important decisions which confront the Russian state in the world. Most recently, he suffered the public snub of seeing Mr Mikhail Poltoranin, a vice premier and a confidant of Mr Boris Yeltsin, the Russian president, going to Japan to prepare the way for Mr Yeltsin's trip there next month.

Mr Kozyrev has played little part in arranging the truces - still more or less holding - in the hot spots around the Russian borders. He seems to have no special relationship with Mr Yeltsin and has been unable to find a reliable base in the parliament - whose more active members are pursuing their own international agendas.

He has succeeded in retaining his position for now - but it hangs by a string held by the Russian president. There are many in the foreign diplomatic community who fault Mr Kozyrev on grounds of style and tactics. He has never defined a foreign policy, saying only that "the essence of the concept ... is to create a favourable environment for the transformation of Russia" - hardly a help to foreign governments trying to discern a pattern. He has been frenetic in his travelling, as yet to no great purpose.

The attacks on him are not motivated by a desire to replace him with someone diplomatically or strategically more effective.

The main reason for his slow death by a thousand rumours of resignation is that he is out of fashion: he tries to continue a pro-western liberal tradition which had been all the rage in government until a few months ago - but is now on the wane.

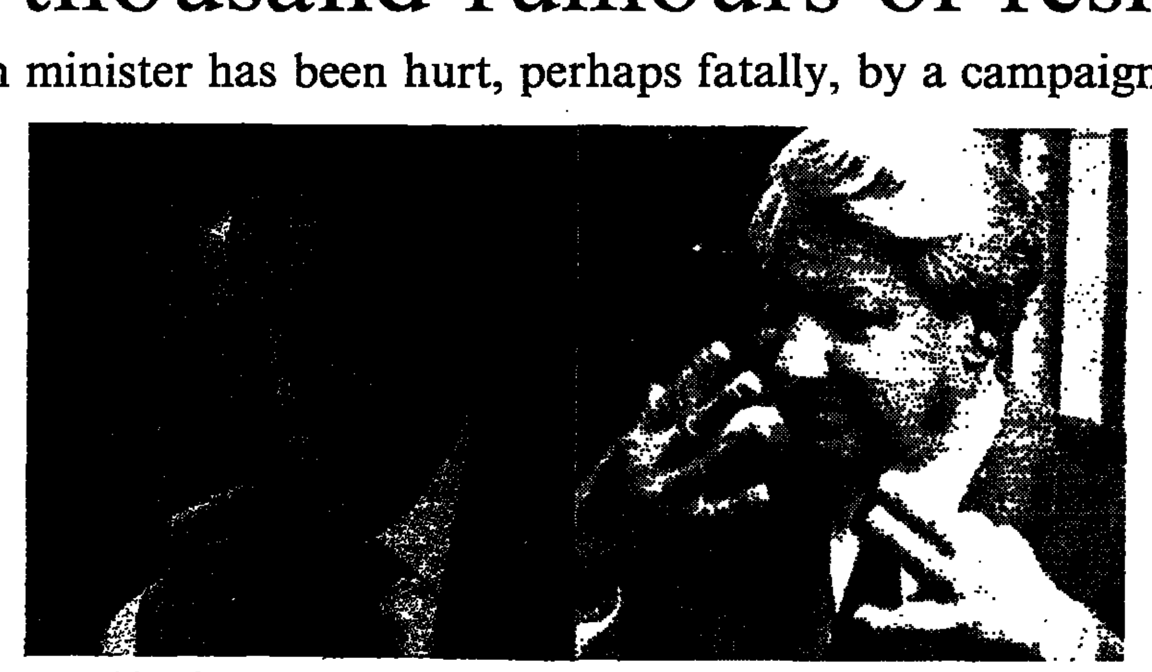
Mr Vitaly Tretyakov, editor of the Nezavisimaya Gazeta (the daily voice of Moscow's intelligentsia) wrote in a front page editorial column last month that, were Mr Kozyrev to be forced into resignation, then the only liberals left in government would be the few clustered round Mr Yegor Gaidar, the acting prime minister.

It was all quite different when Mr Kozyrev took over the Russian foreign ministry over a year ago.

Then, his rhetoric was based on the assumption that the collapse of Soviet structures would inevitably give the new states the opportunity to advance rational and pacific relations with the rest of the world.

"Our task," he said in an interview last December, as the Soviet Union collapsed, "is, as Andrei Sakharov once said, not to be buried under the rubble of a decomposing empire .... I think that such a threat is more distant now than before".

Less than four months later these words were hollow: the congress of Russian peoples' deputies, meeting in April, saw him as a traitor prepared to sell Russian interests - and Russian people - to placate the resurgent nationalisms in what had been subject races. The congress forced him on the defensive: yet he did not drop his fundamental positions.



Kozyrev (left): no longer Yeltsin's main adviser on foreign affairs

The congress made him aware that distrust of him stretched beyond the ranks of the ultra-nationalists and the former Communists, who had made common cause.

His former democrat allies saw him as vacillating: a motion produced at the congress demanding the return of the Crimea from Ukrainian to Russian control was framed by radical democrats.

"What these super patriots are trying to do," said Mr Kozyrev, "is again to make everything a matter of ideology. It's the old Bolshevik mentality: they try to depict me as an enemy of the people, a traitor to the county.

"That's why they hate my foreign policy so much: for 70 years we could point to someone and say - there's the enemy - and I am trying to change all that ... but I am pessimistic ... I think sooner or later we will have a confrontation on foreign policy".

The confrontation is now upon him, its emotive power drawn from the plight of Russians outside the Russian borders.

In the self-declared TransDnestrian Republic in Moldova, the majority Slavs came under the attack of the Moldovan army (a fragile ceasefire has been kept).

In all of the Baltic states, Russians are being treated as second-class citizens, and tension is rising (particularly in Estonia, where a firefight broke out at the end of July between Russian and Estonian soldiers).

As Mr Yeltsin's trip to Japan gets closer, there are accusations that the foreign office is preparing a sell-out on the Kurile Islands consigning Russians to Japan or forcing them off their island homes. Japan is energetically reclaiming the four islands, seized by Russia at the end of the last war.

Mr Kozyrev, trying to keep going civilised discussion, found himself under yet more ferocious attack - including from one-time liberals such as Mr Sergei Stankevich, a Yeltsin adviser and Mr Oleg Rumyantsev, head of the Social Democratic party.

Goaded, the foreign minister himself lashed out - in an interview with the daily paper Izvestia. "The party of war is rearing its head in our country. Why are the military deciding on all major political questions? I think that the threat of an anti-democratic coup does exist." Days later, a collection of generals and colonels from the military and security forces denounced Mr Kozyrev for daring to suggest that they would act undemocratically.

He survived that, but barely. He continues to plan his calendar for the autumn and later like a man with a future ahead of him.

But he must know it is a highly conditional future - conditional on the outcome of a struggle for power, and for influence with the president, within the Russian leadership which daily grows more intense.

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Bush under pressure in oilseeds row

By Nancy Dunne in Washington

AS THE US-EC dispute over oilseeds moves towards a climax, the Bush administration is being pressed by farm organisations and Capitol Hill to make the oilseeds dispute a test of the effectiveness of the General Agreement on Tariffs and Trade.

Today is the end of the 60-day period for compensation talks under Gatt. Brussels made a number of offers, including proposals to raise quotas for beef imports and to increase access for imported maize.

These have all been rejected as insufficient and providing little for the injured party – the oilseeds producers. However, according to one US farm group official, there was "progress of sorts" when the EC withdrew a threat to impose a tariff rate quota on oilseeds.

It remains possible that even today, the US could release its retaliatory "hit list" which would put tariffs of as much as 400 per cent on trade worth $1bn. The list, thought to be the largest US sanctions package on record, will have been whittled down from a list valued at more than $2bn.

Although the 60-day period is expiring, it could be some days before a final sanctions roster is released, because the farm experts at the US Trade Representative's office have been preoccupied with the North American Free Trade talks.

Mrs Carla Hills, the US Trade Representative, is in Houston at the Republican Convention.

Ms Nancy Foster, of the American Soyabean Association, which brought the complaint, said: "We are recommending that the administration show a strong signal of resolve on this issue."

In an election year, with the Mid-West an expected battleground, that recommendation is not likely to be ignored.

Senators supporting the soyabean lobby in discussions with administration officials are making the issue "a litmus test for the value of a new Gatt agreement," Ms Foster said.

"If we follow the procedures, win a case twice and still not get redress, what is the point?"

The negotiations in Brussels have gone beyond the US and the Community to encompass all oilseeds exporting countries claiming damages from the EC failure to eliminate subsidies to its oilseeds sector.

The compensation talks include Canada, Brazil, Argentina, Uruguay, Hungary, Poland, Pakistan, India and Sweden.

So far, the group has been united in holding out for a better compensation package.

While the farm groups have been urging a tough line on the administration, US business has been scurrying to keep the food, wine, spirits and flowers it imports off the final sanctions list.

If it comes to retaliation, the damage will be painful on both sides of the Atlantic.

Turks look to future with Bosporus radar

The costs of progress have put transit charges for ships on the agenda, writes John Murray Brown

TURKEY is considering breaking with a tradition of more than half a century. It plans to introduce charges for ships going through the Bosporus, in an effort to defray the costs of a proposed radar system.

Such a move would represent the first change since the Montreux Convention of 1936 established the Bosporus as an international waterway, guaranteeing free transit between the Sea of Marmara and the Black Sea.

In April, 10 companies, including Thompson CSF of France and the UK's GEC Marconi, submitted bids for a turnkey supply contract for a fully automatic, computer-supported radar system.

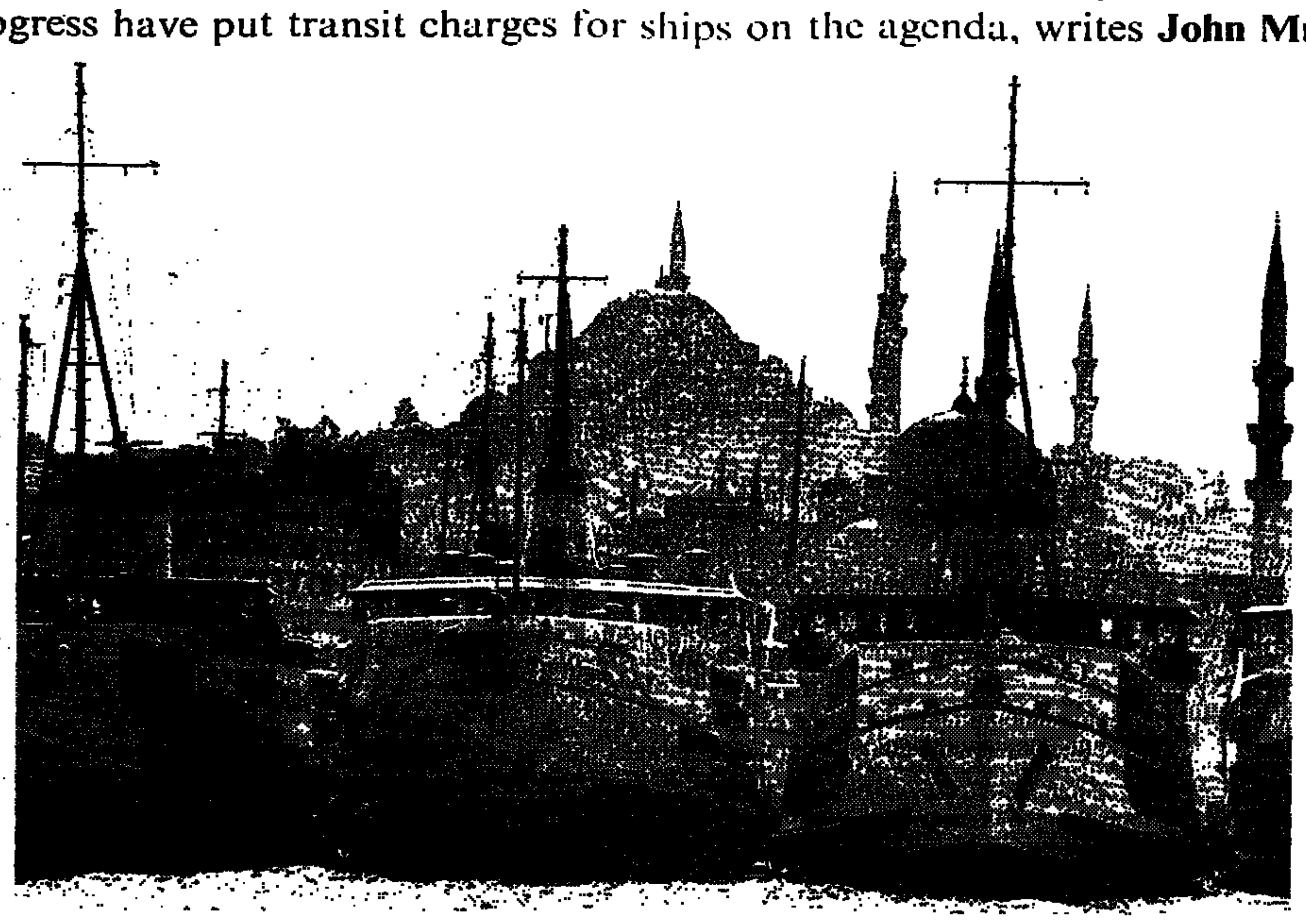
The project is estimated to cost $20m (£10.4m). It comprises as many as 20 direction-finding radars, providing the Bosporus with the equivalent of an air traffic control system.

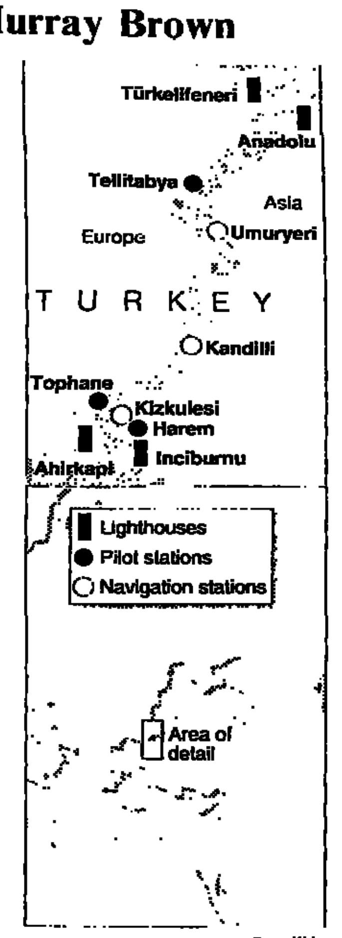
The project has been postponed a number of times, but a contract is now expected to be awarded in the next two months.

Turkey is bracing itself for increased traffic. For the new Black Sea countries and central Asian states, the Bosporus offers the most direct route to western markets.

In addition, once the network of canals in central Europe links with the Danube over the next two years, demand to use the Bosporus is likely to increase.

Dr Demir Sindel, professor of marine engineering at Istanbul University and an expert on the Bosporus, says: "If we have a good radar system we can manage twice the volume of traffic. But we must earn money from this. At the moment we have expenses but no income."





Bosporus ferries on the Golden Horn at Istanbul with the Mosque of Suleiman the Magnificent in the background

Picture: Terry Kirk

The Bosporus is one of the busiest sea lanes in the world, with more than 40,000 ships in transit every year, from coasters to oil and LNG tankers. In addition, it is also one of the most difficult waterways to navigate with 12 major turns, and as little as 500 metres at the narrowest point.

There are just three passive radar units for the entire 30km length of the Bosporus Passage. When supertankers attempt the journey, port authorities close the Bosporus to other traffic. Despite traffic lanes, officials calculate there are on average 10 collisions every year.

No formal request to the other Montreux signatories has been made to introduce transit fees.

The Turkish Foreign Ministry is said to favour completely renegotiating the treaty, given that one of the main signatories, the Soviet Union, no longer exists.

Turkey currently charges a fee based on tonnage, if ships choose to take pilots to direct them through the straits which divide European Turkey from the Asian mainland, but under Montreux pilotage is not mandatory.

Officials at the Turkish Maritime Organisation (TDI) in Istanbul estimate that more than 20,000 vessels go through every year without pilots.

Only warships have to notify the Montreux signatory countries, a key provision for Nato members Turkey and the UK during the cold war, when the Bosporus was an outlet to the Mediterranean for the Soviet Fleet.

Earlier this year, Turkish authorities seized the Cape Malleas, a Greek-Cypriot ship taking arms to Iran. The public prosecutor defended the action, arguing that Turkey was still at war with Cyprus and thus, under Montreux, was empowered to seize the shipment, a position not supported by an embarrassed Turkish Foreign Ministry in Ankara.

In practice, Turkey enjoys few other controls on the traffic. The TDI currently uses its right to make health inspections under Montreux as a means of regulating the frequency of ships.

Argentina angry at Brazil imports

By John Barham in Buenos Aires

INDUSTRIALISTS in Argentina are demanding that the government take action to slow an avalanche of imports, especially from Brazil, which they claim is threatening the survival of domestic industry.

Mr Israel Mahler, head of the Argentine Industrial Union (UIA), which represents the country's industry, said at the weekend that "we are very close to industrial disruption, because [the imports] affect the domestic market, the last redoubt that is left to certain sectors."

The UIA has singled out Brazil as the chief offender, with which Argentina together with Paraguay and Uruguay, plans to create a common market to be known as Mercosur by the end of 1994. The four countries are already reducing trade barriers in preparation for economic integration.

However, concern is rising in Argentina over the volume of Brazilian exports. Brazil is now expected to run up a $1.5bn surplus in its trade with Argentina this year, contributing heavily to Argentina's deteriorating trade balance. Argentina registered a $302m trade deficit in the first quarter, which forecasters fear could rise to an annual deficit of more than $1bn. Even optimistic analysts expect the $3.87bn trade surplus of 1991 to be whittled away to a very small surplus.

The UIA wants the government to tighten up anti-dumping procedures and increase administrative controls to prevent "abuse" by foreign, particularly Brazilian, competitors. The union has also demanded that the government introduce countervailing duties against Brazil to offset the effects of Brazil's macroeconomic instability. The government has so far refused to adopt any protectionist measures.

The UIA says Brazilian companies receive government export incentives, subsidised trade finance and artificially low prices for such inputs as steel, gas and electricity, plus the benefits of a strongly undervalued currency. Furthermore, Brazil's severe economic downturn has strongly increased exports.

However, the Brazilians blame serious structural distortions in Argentina for the surge in imports. Argentina's industrial costs are rising steadily, pricing companies out of the international market.

The Mexican government will encourage further private investment in the petrochemicals industry, by reducing the number of basic petrochemicals reserved to the state from 19 to 8, reports Damian Fraser in Mexico City.

Under Mexican law, only the state-owned Petroleos Mexicanos (Pemex) can make basic petrochemicals, defined as those chemicals that are the result of the first chemcical or physical transformation from gas or oil. This definition has proved to be elastic, and the number of basic petrochemicals has steadily been reduced over the past six years, according to political rather than scientific considerations.

African leaders sign treaty

LEADERS of 10 southern African states signed a treaty yesterday creating a development community to defuse the threat of economic competition from a powerful post-apartheid South Africa, Reuter reports from Windhoek.

The Treaty of the Southern African Development Community (SADC) was signed at the University of Namibia by leaders from Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe.

The new community with a population of 80m replaces the South African Development Co-ordination Conference (SADCC), formed in 1980 to reduce the dependence of South Africa's neighbours on its white-controlled economy.

At the time, the black countries accused the South Africans of waging a regional campaign of military and economic destabilisation to bolster apartheid.

"It is time to reduce the areas of conflict and maximise the areas of co-operation," Tanzanian President Ali Hassan Mwinyi said before signing the treaty yesterday.

Officials said they hoped SADC would develop into a common market with a regional parliament.

The leaders urged Pretoria to speed the transition from white rule to democracy, which they set as the condition for South Africa's membership of their community.

But Mr Charles Hove, SADC chief economist, said the community hoped to establish mechanisms for co-operation and integration before then.

Protest at lack of green measures for trade body

By Frances Williams in Geneva

THE proposed Multilateral Trade Organisation (MTO) that would implement the results of the current round of global trade talks should be renegotiated to take account of environmental concerns and if not should be jettisoned, according to the World Wide Fund for Nature (WWF)*.

Environmental groups, especially in the US, are angry that the MTO, which would be a far more powerful institution than the present General Agreement on Tariffs and Trade (Gatt), makes virtually no reference to the environment and its relationship with trade.

This is likely to be one of the most hotly debated issues if and when the Uruguay Round package, still stalled over farm trade reform, goes to the US Congress for ratification.

A report on the proposed MTO by WWF International points out the contrast with the Maastricht treaty, which states that one of the objectives of the European Community is to promote "sustainable and non-inflationary growth respecting the environment".

The recently completed North American Free Trade Agreement (Nafta) also refers to sustainable development as a principal goal.

Mr Charles Arden-Clarke of WWF International said that the draft MTO would perpetuate the pre-eminence now given by Gatt to free trade over the environment, and failed to honour commitments made at the Earth Summit in June to make trade and environment policies "mutually supportive".

The WWF is calling for MTO objectives to include a commitment to sustainable development, recognition and assessment of the environmental impact of trade measures, creation of a standing committee on trade and the environment similar to the Gatt committee on trade and development, and consultation rights for environmental groups in trade negotiations.

Mr Arden-Clarke said WWF would favour an MTO to replace Gatt, "so long as the new organisation is equitable, transparent, democratically accountable, and if it recognises the limits imposed on free trade by the need for environmental protection and sustainable development".

Otherwise the proposal should be removed from the Uruguay Round package.

**The Multilateral Trade Organisation: A legal and environmental assessment; WWF International, CH-1196 Gland, Switzerland.*

Bush spurred by hopes that Saddam is nearly finished

By Roger Matthews in Washington

PRESIDENT George Bush insists, probably honestly, that he is not seeking a military showdown with President Saddam Hussein or seeking to manipulate the situation in the Gulf for his own domestic political advantage. The political key to the present increase in tension lies far more in the additional damage that could be done to Mr Bush during the next three months by Mr Saddam, rather than the punishment that can be inflicted on the Iraqi leader by US air strikes.

The hollowness of the Gulf war victory, as it has come to be seen in US domestic political terms, was fully brought home to the administration last month when, for nearly three weeks, the Iraqis denied UN weapons inspectors access to the ministry of agriculture, in defiance of UN ceasefire resolutions. Baghdad presented the affair as a great national triumph, Mr Saddam went for a much-photographed swim in the Tigris, and US officials acknowledged that they had been been caught badly off balance.

It was an event that the White House was determined should not be repeated in the run-up to November's presidential election, in which Mr Bush is already trailing Governor Bill Clinton, his Democratic rival. The timing of the weekend's revelations of increased US military preparedness in the Gulf owed more to the fact that the UN weapons inspection team was completing its latest searches in and around Baghdad than to the Republican party national convention which opened yesterday in Houston.

As senior party members pointed out, the last thing they wanted was for Saddam Hussein to deflect national attention from the official launch of the Republican campaign and it was certainly not something Mr Bush would deliberately choose to happen. They also doubted whether there was a great deal of political advantage to be reaped by bombing Baghdad, but there was much to be lost by allowing Mr Saddam to claim another victory.

Part of this damage-limitation exercise appears to have paid off already, with the present visit by weapons inspectors in Iraq apparently concluding without Baghdad challenging the UN's authority. However, US policy is also directed to the overthrow of Mr Saddam and longer-term planning to achieve that objective continues.

Evidence of this is now emerging from what seems to be a US-led allied decision to establish an exclusion zone below the 32nd parallel in southern Iraq below which Iraqi aircraft will not be permitted to fly. It is a move that the US has been reluctant to make, despite powerful evidence of repeated violations of UN resolutions by Baghdad.

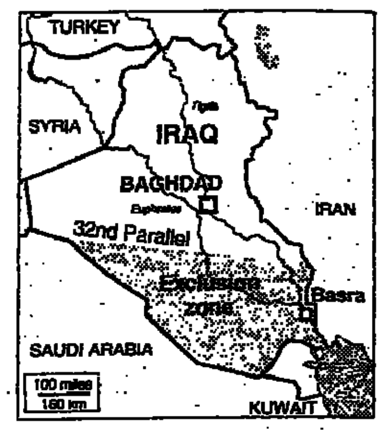
Western forces stood by when, in the immediate aftermath of the Gulf war, Saddam Hussein stamped out the Shia uprising in the south.

Mounting evidence that the Iraqi regime is now deploying both helicopters and fixed-wing aircraft against the Shia may have tipped the US hand. Representatives of exiled Iraqi opposition groups last month called on Mr James Baker, then secretary of state, and last week evidence was produced to the UN Security Council of continuing atrocities in the south.

What seems to have been holding the administration back is its determination to avoid become involved in the political dismemberment of Iraq and its fear that Iran would be the main beneficiary of any allied intervention on behalf of the southern Shias. Arab leaders in the Gulf are themselves divided over the wisdom of seeking to divide Iraq into three parts with the Kurds in the north, the Sunni Moslems in the centre, and the Shias to the south.

Set against that is the conviction among some sections of the Bush administration that Saddam Hussein is now closer than ever to be being toppled. They point to a serious economic situation with inflation out of control and basic foodstuffs ever scarcer. The recent execution of an estimated 40 traders accused of making excessive profits is cited as evidence of the desperate state of the regime. It is argued that a further twist of the screw now, by giving protection to the Shias, could push the regime over the edge.

The fall of Saddam Hussein in the next three months, whoever or whatever replaced him, would be a political bonus for Mr Bush. But if Mr Saddam is to survive, the administration is determined he should at least be quiescent.



MUCH INSPECTION WORK STILL TO DO

HAVING completed 42 inspections in 16 months in the effort to eliminate Iraq's major weapons capability, the UN now is expected to continue operations at a slower pace, but officials emphasise that a lot of work remains to be done, writes Michael Littlejohns in New York.

Still, they appear confident that, apart from some gaps, most of the Iraqi programmes have been identified by inspection teams sent by the disarmament commission set up by the Security Council.

The destruction of arsenals is well advanced except in the area of chemical weapons. Eliminating stocks of nerve agents and mustard gas, a programme due to start next month, is expected to take at least a year. Destruction teams are already in Iraq on a full-time basis.

As for UN monitoring to ensure that Iraq never again develops the potential to become a serious military threat to the region, that will continue indefinitely, officials say.

Mr Tim Trevan, the commission spokesman, hailed the latest mission as a total success.

UN relief attacked by south Sudan rebels

By Julian Ozanne in Nairobi

SUDANESE rebels yesterday threatened a United Nations plan for an emergency food airlift to some 300,000 starving residents of Juba, saying that relief workers flying into the besieged town did so at their own risk.

The dispute, which emerged between the rebel Sudan Peoples Liberation Army (SPLA) and the UN, highlights the lack of a co-ordinated, comprehensive UN relief effort in southern Sudan, and the way in which food is being used, by both sides, as a weapon in the nine-year civil war.

Ambassador Darko Silovic of the UN department of humanitarian affairs told reporters yesterday morning a resumed UN airlift would begin on Thursday to move 1,075 tonnes of food, medicines and shelter material into the starving government-held city.

The initiative was immediately attacked by the SPLA who described it as "provocative". "Anybody flying to Juba without proper agreement does it at his/her risk," warned Mr Elijah Malok Aleng, executive director of the SPLA relief organisation. The SPLA has in the past shot down aircraft.

Thousands of women and children have died in southern Sudan as both the fundamentalist Islamic government and the rigid SPLA have consistently disrupted and blocked relief efforts and sought to exploit them for military gain. Since the beginning of the year fighting has escalated as the government has pressed home a lightning offensive.

For four years the civilian population of Juba has been dependent for food supplies on a threadbare airlift operation.

The airlift was suspended on July 18 after the SPLA, which has laid siege to the town, stepped up fighting and shelling of the airport and shot down several government planes. The suspension also followed SPLA protests after the government had used a UN flagged aircraft allegedly to fly arms and ammunition to encircled government soldiers.

Mr Silovic said: "Today in Juba there is no food left.. If immediate assistance is not provided, large-scale deaths will certainly follow."

The SPLA statement, which demanded a round-table meeting of all parties to discuss relief, appeared to cast doubt on whether the airlift could go ahead this week.

Mr Silovic admitted the UN had no guarantees that the SPLA and government would not attack relief flights but said "we have an understanding and we hope it will go smoothly".

Arabs may delay start of Washington talks

By Tony Walker in Jerusalem

ARAB participants in Middle East peace talks due to resume next week are threatening to delay their arrival in Washington in protest at the US decision to grant Israel billions of dollars in loan guarantees without first insisting on a settlement freeze.

The Palestine Liberation Organisation has summoned delegates to its Tunis headquarters to discuss tactics before the Washington round. PLO hardliners have demanded that the Palestinians boycott the talks until they get undertakings that work on Jewish settlements will be stopped.

Palestinian officials have denounced President Bush's decision to grant some $10bn (£5.2bn) in guarantees without making public details of understandings reached with Israel over settlements in the West Bank and Gaza Strip.

The four Arab parties to the peace talks – Syria, Jordan, Lebanon and the Palestinians – are expected to meet in the next few days to discuss the settlement issue. Their last meeting as a group was in Damascus in July.

Comments last week by Mr Yitzhak Rabin, Israel's prime minister, on his return from the US, that his government was pressing on with 11,000 homes already under construction in the territories, have infuriated Palestinians.

They are demanding that work on these structures be stopped as a gesture of good will, and that construction on new dwellings in Jerusalem and its environs also be curbed.

Palestinian delegates to the peace talks were briefed at the weekend on the US position by the American consul in Jerusalem. Sketchy details provided by the US official did not allay Palestinian suspicions that Mr Bush had softened earlier US demands that Israel freeze settlements.

US military team speeds Somalia aid

By Julian Ozanne and Michael Holman in Nairobi

A US military team arrived in Kenya yesterday to prepare for a big airlift of food into famine-plagued Somalia, as a top United Nations official appealed to the Somali people to help resolve security problems impeding the international relief effort.

The 33-member team from the US defence department arrived at the Kenyan coastal city of Mombasa in a C-141 transport aircraft. In the next couple of days it will set up a base for shifting 145,000 tonnes of food in Somalia, where an estimated 1.5m people are at risk of starvation.

Aid officials have expressed surprise at the sudden speed with which the Bush administration has reacted, stung by criticism of inadequate relief efforts so far. The details of the airlift are still to be fleshed out, although at least 10 military transport aircraft will fly food to Wajir, in northern Kenya, and to destinations so far unnamed inside Somalia.

The US has no relief personnel on the ground in Somalia to help ensure the security and effectiveness of food distribution to the needy and does not appear to have consulted other aid agencies.

But Ambassador Mohammed Sahnoun, the UN secretary-general's special envoy in Somalia, paid tribute to the US bilateral aid effort, which will complement aid operations by the UN, Red Cross and other aid agencies.

He described it as a humanitarian act of solidarity with the Somali people, especially starving children, and Somalis should respond by ensuring the security of relief personel and getting together under a UN-brokered national reconciliation conference.

Mr Sahnoun, who left Nairobi last night for Sweden, said he had consulted the Canadian, German and Italian governments, which had promised to fund a large part of the UN operations in Somalia.

Nelson Mandela, president of the African National Congress (right), acknowledges cheers from student supporters on a visit to the Peninsula Technicon, near Cape Town. With him is Mr Allan Boesak, ANC regional chairman. Business Day, a leading Johannesburg newspaper, reported that the ANC may be preparing new mass protests to try to force the white government to step down. Meanwhile, police said yesterday that at least 18 people were killed in factional violence throughout South Africa, including four black police officers shot and burned to death in a gun battle.

Palestinian leader walks tightrope towards peace

Tony Walker reports on the role of Faisal Husseini

THEY slaughtered six sheep to honour the son of Abdel Kader and in the Bedouin tradition the men of the village of Sawahreh gathered to talk before their feast of *mansaff* – mounds of steamed lamb and rice.

High in the stony hills of the West Bank of the River Jordan towards the little town of Bethlehem in the simple breeze-block house of Sheikh Kasem el Sourakhi they welcomed Abu Abed in the traditional way as a local statesman and tribal leader.

Among the many who expressed greetings was an old man dressed in brown robes edged with gold thread who stepped forward and kissed the honoured guest on both cheeks, declaring: "Ah, the loved one of the people."

The object of all this attention, better known to the world as Faisal Husseini, leader of the Palestinians under Israeli occupation, had come to the village of Sawahreh to burnish his support among a small, but important element of his constituency – the Bedouin tribesmen of the West Bank.

Known affectionately in the Arab way as Abu Abed, literally "father of Abed", Faisal Husseini has emerged as by far the most important Palestinian of the occupied territories, and the key figure in extremely delicate peace negotiations involving the Israelis, the Palestinians, and the Americans.

As preparations go forward for the resumption of Middle East peace talks in Washington on August 24, Mr Husseini's importance is certain to grow. His is not an easy task, caught between old enemies and under pressure from all quarters. He likens his position to that of "someone who is trying to walk on a wire between two high buildings".

Many, from both sides of the dispute and among American officials, will be praying that he manages to keep his balance, for he is perhaps the only figure capable of exerting a semblance of authority over the fractious Palestinians of the territories in the testing months ahead.

Courteous and quietly spoken, the balding and slightly overweight Mr Husseini draws part of his authority from the fact that his father, Abdel Kader Husseini, who died in battle in 1948, endures in people's memories as perhaps the most authentic Palestinian hero of the independence struggle. Descendants of the Prophet Mohammed, the Husseinis are also the closest thing to nobility in status-conscious Palestinian society.

As the heat of a mid-summer's day brought beads of perspiration to the brows of those present, Mr Husseini took calls on his cellular phone and fielded questions about progress towards peace, seeking to reassure his audience that the process seemed to be on the right track, and that Jewish settlements on Arab land were being curbed. He also gave the impression that Mr Yitzhak Rabin, the new Israeli leader, was someone he could do business with.

"The situation is better than it was before..." Mr Husseini told his audience, to which an old man interjected, somewhat sceptically, it seemed, "*Inshallah* – God willing."

Faisal Husseini: statesman and tribal leader

Mr Husseini felt obliged to correct one of his hosts who addressed him as the "leading man of peace".

A ripple of polite laughter greeted his reply that "first of all I am not the leading man of the peace process, the leading man is Abu Ammar (Yassir Arafat, the PLO chairman)".

Faisal Husseini, now in his early 50s, formed his Arab Studies Society, a kind of political action group, in the late 1970s. Egypt and Israel had made peace in 1979, however, there seemed little chance that the rest of the Arab world would follow and the PLO was bitterly opposed to the Camp David agreement.

But Mr Husseini has plugged on, enduring periods in jail and moments of despair. In his efforts to chart a political course for his people under occupation. All the while his stature grew in the towns, villages and hamlets of the West Bank and Gaza Strip. He is regarded as much more than a political figure. In Palestinian eyes, he is a tribal chief, and would-be peacemaker not just with the Israelis, but between feuding Palestinians, as well.

On a recent particularly hectic working day, no fewer than 430 people representing all strata of Palestinian society passed through his offices in Arab east Jerusalem, seeking his help as a counsellor, friend and arbiter of disputes ranging from marital problems to ancient feuds between families.

Mr Mehdi Abdul Hadi, a prominent Palestinian academic and activist, said that Mr Husseini, with the "blessing and encouragement" of the PLO, was exercising "national authority" in the territories. He had become, Mr Hadi observed, the "address for the Palestinian house".

In contrast to the severe constraints that the previous government of Mr Yitzhak Shamir sought to impose on Mr Husseini, the new administration is, for the time being, giving him room to move. He has been allowed, for example, to reopen the offices of his Arab Studies Society in an east Jerusalem hotel.

A proposed amendment to Israel's 1986 anti-terrorism law, allowing Palestinians from the West Bank and Gaza openly to meet Mr Arafat and other PLO officials will also enhance Mr Husseini's visibility.

On the drive from Jerusalem to Sawahreh for the *mansaff*, Faisal Husseini had seemed preoccupied, for he has much on his plate at the moment. Among his main concerns is how to ensure Palestinian security, should an interim self rule agreement be reached with Israel, involving a pull-back of the Israeli military from Arab population centres.

He has proposed a 30,000-strong "police force" to guard security. He argues that it would be disastrous for the Palestinians if, having been granted autonomy, they were unable to provide a secure environment. He warns of threats from armed Jewish settlers and from a local "mafia" of drug dealers and car thieves.

One worry for Mr Husseini is fear of factional strife involving the Islamic fundamentalist Hamas, which opposes compromise with Israel.

Mr Husseini is also being advised to take better care with his own security and fairly recently he acquired several bodyguards, who are not permitted by Israel law to carry arms. In his quiet way, Mr Husseini acknowledges the dangers. "Now there is more risk," he says. "Yes, I must be more careful."

NEWS IN BRIEF

Kabul suffers night of rocket duelling

A NIGHT-LONG rocket duel between rebel forces and pro-government troops ended early yesterday with defence ministry officials claiming to have repulsed the attack, AP reports from Kabul. For a week rebels loyal to fundamentalist rebel Gulbuddin Hekmatyar have been pounding the capital with rockets, killing an estimated 1,000 people.

The three-month-old Afghan government expelled Mr Hekmatyar and his fundamentalist Hezb-e-Islami group last Friday. Mr Hekmatyar has vowed to destroy the capital unless an Uzbek militia, led by Gen Rashid Dostam, is evicted from Kabul.

Clashes between rival Sunni and Shia rebels on the western outskirts of Kabul have been aggravating the violence in the city.

Khmer Rouge accuses UN

Khmer Rouge officials yesterday accused United Nations peacekeepers of failing to act over the killing of one of their guerrilla leaders in north-eastern Cambodia, Reuter reports from Phnom Penh. "They claim nothing has been done...so now they will seek revenge themselves. Military observers are in place and will try to defuse the situation," said Mr Eric Falt, a UN spokesman.

Soldiers of the Phnom Penh government killed San Boun on August 1 after he surrendered to them to try to free his wife who had been taken hostage, he said. San Boun was apparently killed by a bullet to the back of the head, Mr Falt said.

Ramos changes tack on Marcos

Philippine President Fidel Ramos yesterday withdrew his backing for a judge's decision to dismiss 11 criminal cases against former first lady Imelda Marcos, Reuter reports from Manila.

Mr Ramos had told reporters earlier in the day that the 11 currency violation charges filed against Mrs Marcos had "become moot and academic" because of a decision this month to liberalise foreign exchange rules. However, Mr Ramos's remarks contradicted positions taken by Central Bank Governor Jose Cuisia, Justice Secretary Franklin Drilon and government prosecutors, who had said they would appeal to the Supreme Court.

Pakistan proposes talks on Kashmir

By Shiraz Sidhva in New Delhi

PAKISTAN yesterday formally proposed talks with India on the Kashmir issue under the Simla Agreement – for the first time since the agreement, laying down terms for normalisation of relations between the two countries, was signed 20 years ago.

The proposal, contained in a letter from Mr Nawaz Sharif, the Pakistani prime minister, to his Indian counterpart, Mr Narasimha Rao, was delivered by Mr Shahryar Khan, the Pakistani foreign secretary, on the first day of talks between the two countries at the foreign secretary level.

Mr Khan said Pakistan hoped that India would respond positively to its proposal for bilateral discussions on Kashmir under Article 6 of the Simla Agreement, which states that final settlement of the dispute needs to be discussed between the two sides.

But he stressed that the proposal should not be seen as a change in Pakistan's policy on Kashmir, or evidence that Pakistan "had turned its back" on United Nations resolutions on the disputed territory.

"Pakistan does not regard the Simla Agreement and the UN resolutions as mutually exclusive," he said. "It is Pakistan's considered view that the UN Security Council resolutions calling for a plebiscite remain valid."

An Indian foreign ministry spokesman said there was "nothing new or startling" about Mr Sharif's proposal. He said Mr Rao had told Mr Khan that India would consider the proposal and convey an appropriate response.

He also said India had pointed out during the first round of talks that it was "not possible to isolate individual articles of the Simla Agreement, which had to be viewed in its totality as a document".

The foreign secretaries' talks – earlier scheduled for July and postponed by India after an Indian diplomat was assaulted in Islamabad – are meant to prepare the ground for a meeting between the prime ministers of the two countries in Jakarta on September 3.

The Delhi talks are due to culminate today in the signing of a memorandum of understanding on a code of conduct for diplomats, an agreement banning the use of chemical weapons, an exchange of instruments of ratification and the non-violation of each other's air space.

More Chinese students pay

ONE IN every seven students enrolling in Chinese universities at the start of the new academic year next month will pay for the privilege, writes Yvonne Preston from Beijing.

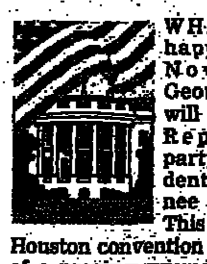
The 100,000 new fee-paying students is the highest number in the 40 years since China's universities were nationalised and tuition fees abolished.

Fees are 2,000 yuan (£190) a year. Students who pay their own way must find their own jobs on graduation. Free education is for students passing the highly competitive university entrance exams who are mostly assigned jobs at the end of their courses. Even they pay fees of around £19 a year.

The State Education Commission said growth in the number of fee-paying students was a natural outcome of the reform drive of Deng Xiaoping.

The Republican party's convention is a proving ground for those with ambitions for 1996

Presidential hopefuls take long view on prospects



WHATEVER happens in November, George Bush will not be the Republican party's presidential nominee in 1996. This makes the Houston convention something of a proving ground for those who have eyes on the prize four years from now, writes **Jurek Martin, US Editor, in Houston.**

The list is long – very long for a party not known for great diversity of opinion. But it can be divided conveniently into two: those not in Houston or, if so, not much in evidence; and those jockeying for public exposure.

In the first category, naturally, are Mr James Baker, still secretary of state until Sunday, and Mr Dick Cheney, the secretary of defence. Reflecting the pressure of other business, with Iraq, and the tradition that these two cabinet positions should be reasonably above partisan politics, neither will address the convention, although Mrs Lynn Cheney will do so in her capacity as head of the National Endowment for the Humanities.

Also absent is Governor Pete Wilson of California, attending to his state's budgetary crisis. He might, in any case, have found Houston uncomfortable, given that he supports freedom of reproductive choice and that the party platform is calling for a constitutional amendment to ban abortion.

The stakes are probably highest for those who have been given prominent speaking roles. Chief among them are Vice-President Dan Quayle, Mr Jack Kemp, the housing secretary, Senator Phil Gramm from Texas, and Mr Pat Buchanan, Mr Bush's erstwhile primary challenger.

Also very much in the frame and on the podium are Mr William Bennett, the former education secretary, Mr Lamar Alexander, who now holds the job, and at least four governors – Mr William Weld of Massachusetts, Mr Carroll Campbell of South Carolina, Mr Pete du Pont of Delaware and Mr Tommy Thompson of Wisconsin.

And the last may not have been heard from the Rev Pat Robertson, the television evangelist who made a run four year ago.

Some are obviously long shots for 1996. If Mr Quayle is defeated with Mr Bush in November he will not be a contender. Even if he wins he can expect to be challenged, if for no other reason than he stands in the way of Mr Baker's presumed ambitions, not to mention some others on the right.

Nevertheless, Mr Quayle will be extremely visible this week, with a dozen public appearances and his own acceptance speech on Thursday night. He knows he is being compared unfavourably with Senator Al Gore, Mr Bill Clinton's running mate, but he remains popular with conservatives.

It is on the right where the battle for succession is the hottest.

Mr Buchanan, an early convention speaker last night, has expressed an interest in 1996 but recently underwent heart surgery and has, in any case, probably been overtaken in the outsider conservative sweepstakes by the likes of Mr Kemp.

The housing secretary – a conservative renegade within, and frequently semi-detached from, the Bush cabinet – had to lobby even to be given a speaking slot at the convention.

Having won his point by threatening to stay away, he is among the most visible in Houston, pushing the cause of a more radical tax-cutting agenda in a second Bush term.

Mr Bennett, among the most articulate conservative critics of the president, is putting Mr Quayle's name in nomination tomorrow night, but, in the opinion of those who know him, will use this speech as his own springboard.

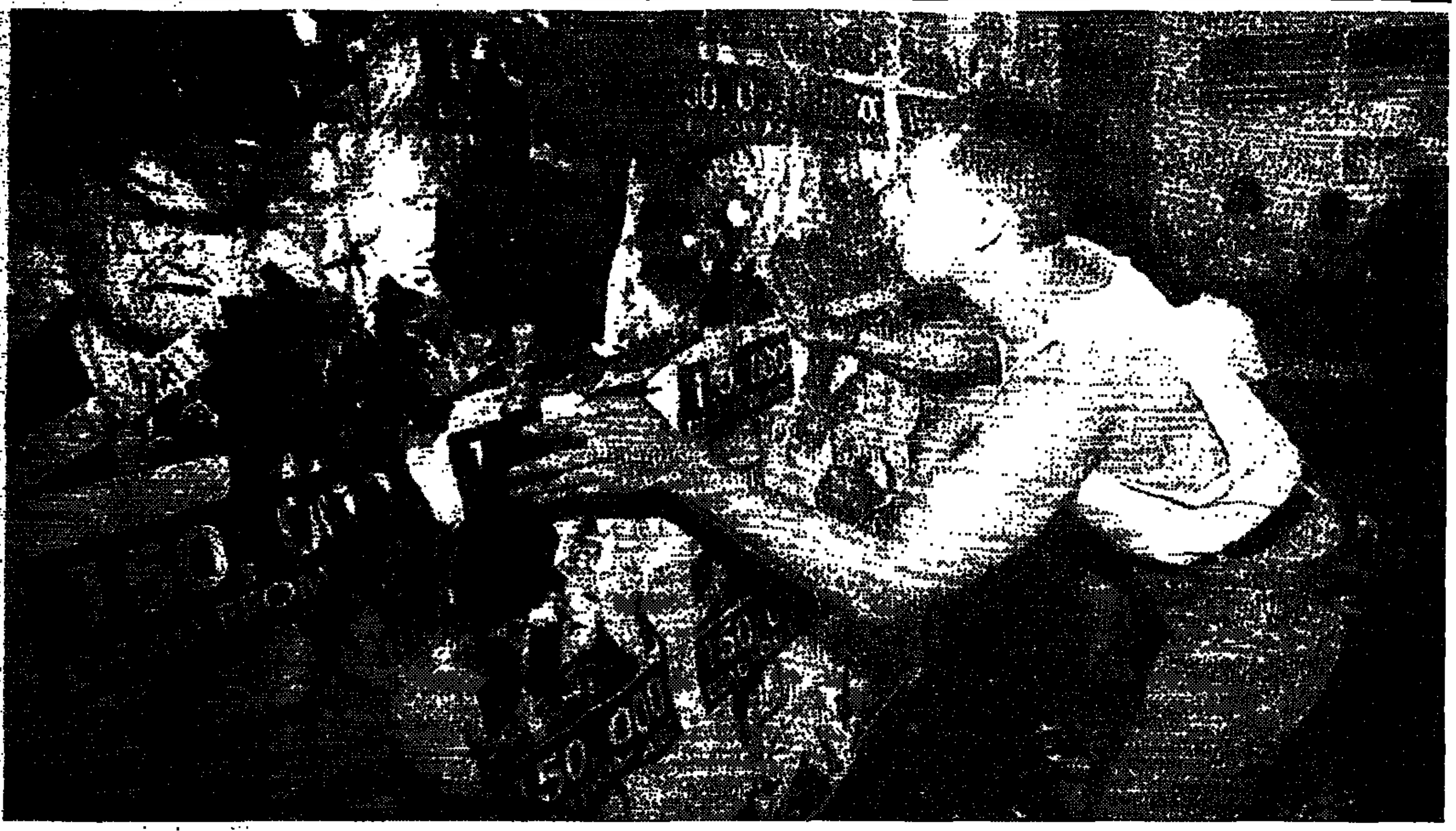
Conservatives are also becoming increasingly attracted to Mr Weld of Massachusetts. He fails two litmus tests – he supports both abortion and gay rights – but his uncompromising fights with his state's Democratic legislature over taxation go down well with the right.

The "moderate" with most to gain and lose this week is Senator Gramm, whose keynote address tonight will probably be the most important speech he gives. First elected to Congress as a Democrat, he was co-author of the Gramm-Rudman-Hollings budget act of 1986 which sought, and failed, to control government spending.

Mr Gramm has an owlish demeanour, but, with a sharp tongue, is a formidable debater; he has this week already criticised Mr Kemp for trying to force the president's hand on economic policy. Although he is up for re-election in 1996, Texas law allows him to contest national and state elections simultaneously and he has a \$5m-plus (£2.6m) war chest left over from his last campaign.

Except Messrs Quayle, Baker and Cheney, and possibly Mr Buchanan, none of the above has enjoyed great national exposure. Even Mr Kemp, visible this year in the wake of the Los Angeles riots, is a closed book to seven out of 10 Americans, according to a recent New York Times poll.

The convention offers all a chance to make a mark, and to be better known among the faithful at the innumerable parties that sometimes seem to be the real business of the week.



An Aids activist smears red paint over posters of President George Bush reading "150,000 dead from Aids", during a rally in Houston

Growth put firmly before environmental progress

THE Republicans and Democrats see two very different shades of green on environmental issues, writes **Matthew Kaminski in Houston.**

The first clear salvo in the campaign war of words on the environment came from Senator Al Gore, Governor Bill Clinton's running mate, who at a California recycling plant earlier this month mocked President George Bush's 1988 pledge to be the "environmental president" by suggesting the alternative soubriquet "hypocritical president".

Not to be outdone, Mr Gore's rival, Vice-President Dan Quayle, quickly labelled him "an environmental extremist" for his best-selling book on the environment and claimed the Democrats put "a spotted owl or a giant garter snake" ahead of economic growth and American jobs.

The brief environmental plank in the Republican's platform for this week's party convention refuses to "sacrifice" environmental progress to economic growth. In sharp contrast, the Democratic platform loftily pledged to conserve "the critical sources of soil, water and air".

However, the Bush administration itself suffers from severe internal strains on environmental issues. Mr Quayle leads the anti-regulatory flank, where he is joined by Mr Richard Darman, the budget chief, and Mr Michael Boskin, Mr Bush's chief economic adviser, while Mr William Reilly, the Environmental Protection Agency chief, tries to advance the environmental agenda.

The divisions became embarrassingly public during the Rio de Janeiro Earth Summit in June, when an internal leak blunted Mr Reilly's efforts to get the US to sign the biodiversity treaty.

Mr Reilly likes to trumpet progress – pointing to more funding for, and fines by, his agency – but, since Rio, it appears Mr Quayle has become the environmental standard bearer for the administration.

Mr Quayle has led the administration's efforts to make the important environmental laws such as the 1990 Clean Air Act and the Endangered Species Act friendlier to US industry and businesses, who complain about high compliance costs.

This is mostly done through Mr Quayle's controversial pro-business group, the Council on Competitiveness, which in its nominally advisory role has persuaded federal agencies to dilute environmental rules. For instance, some 60 regulations in the Clean Air Act, ranging from chemical plant standards to carbon dioxide emission limits, are held up by the Office of Management and Budget, which works closely with the council.

The council, which is guided by Mr William Kristol, Mr Quayle's chief of staff, estimates its efforts "to relieve the stranglehold of burdensome regulation and excessive regulation" will save or create some 200,000 jobs.

The Senate is expected this autumn to consider an amendment to erase the council's \$86,000 budget from a funding bill while the House, which has already cut funding, also plans to weigh a measure that publicly exposes the council's back-room activities.

The controversy is unlikely to temper Mr Quayle's tone or stop his council.

Bush set to demand curbs on spending

By Michael Prowse in Houston

PLANS for tougher control of federal spending – especially "entitlement" programmes such as government health care schemes – appear likely to form a central plank of the economic strategy President George Bush will unveil in his acceptance speech on Thursday.

A commitment to spending restraint is regarded by Republican strategists as advantageous for several reasons. It appears the only way to square a daunting fiscal circle: the vocal conservative wing of the party is calling for sweeping tax cuts in a second term, yet Mr Bush and many moderate Republicans are anxious to reduce the record fiscal deficits that have plagued his first presidency.

In theory sufficient restraint of spending could allow both goals to be met simultaneously.

A clamp on spending would also highlight philosophical differences between the Republican and Democratic parties. Governor Bill Clinton is proposing to increase public investment spending by \$200bn (£105bn) over four years. A credible plan to contain spending would allow Mr Bush to portray Democratic plans as irresponsible while stressing his commitment to a smaller, less intrusive public sector.

The pressure for tax cuts seems likely to intensify as the week progresses. Mr Jack Kemp, the housing secretary and a popular figure on the right of the party, has already called for a cut in the basic rate of tax from 15 to 12 per cent and a big increase in personal allowances.

He also wants a top income tax rate of 28 per cent and a maximum capital gains taxes rate of 15 per cent, about half the present top rate. Neither Mr Kemp nor the official highly conservative party "platform" (which also favours a revival of 1980s supply-side doctrines) makes any attempt to quantify the cost of such measures.

Few Republicans dispute the potential appeal of tax cuts. The difficulty is making them appear consistent with Mr Bush's other commitments – such as his support for a constitutional amendment to balance the budget. Projections published last week by the independent Congressional Budget Office indicate that the outlook for the federal deficit is now much bleaker than most analysts appreciate.

If the faltering economic recovery gathers momentum, the CBO expects the deficit to decline slowly over the next couple of years, to \$244bn (3.5 per cent of GDP) in 1995. However, it will then climb again, reaching \$514bn by 2002 - or roughly the same percentage of GDP as the current deficit (which is swollen by the bailout of bankrupt savings and loan institutions).

Kemp: wants basic tax rate cut

The worst culprits are two of the biggest entitlement programmes – Medicare for the elderly and Medicaid for the poor. Over the next five years, spending on these programmes is set to rise by 71 per cent and 85 per cent respectively. Together they may absorb over 6 per cent of GDP in 2002, compared with 3.4 per cent today.

Mr Bush has said he does not favour a cap on the biggest entitlement programme, social security (federal pensions). But he may propose caps on most other entitlements, including health and such smaller programmes as veterans' benefits and farm subsidies. Such caps, which might restrain growth of spending to inflation plus population growth, would be a logical extension of caps placed on discretionary spending under the bipartisan budget agreement of 1990.

Caps on entitlement spending could deliver big "savings" but would by no means be an election-winner for Mr Bush. CBO figures suggest there is no room for tax cuts even if caps were implemented. And such figures make no allowances for new spending proposals such as the Republican plan for health care tax credits which would cost an extra \$100bn over five years.

Caps on entitlements, moreover, could prove exceedingly unpopular. Mr Clinton is believed to be planning a vigorous counter-attack if Mr Bush does embrace such a strategy, arguing that both poor and middle-class families could suffer if arbitrary curbs are imposed on government social programmes. Mr Clinton argues that changes in the structure of social programmes, rather than caps, are the way to achieve savings.

Test for Canada's constitution industry

Robert Bourassa: next 10 days are crucial

Pressure is growing on politicians to decide the country's future, writes **Bernard Simon**

CANADIANS joke that the only industry prospering in their recession-battered economy is that manned by a sizeable band of politicians, civil servants, lawyers and academics busy trying to write a new constitution.

Over the past two years the constitution industry has produced a procession of commissions, panels, public forums and high-level negotiations, all aimed at holding the world's second biggest country in one piece.

To its credit the process has kept English- and French-speaking Canadians on speaking terms, and has cooled the tempers, especially in Quebec, which flared after two English-speaking provinces failed to ratify the Meech Lake constitutional accord in mid-1990.

But patience with the constitutional merry-go-round is wearing thin. Pressure is growing on all sides for the politicians to move from consultation and negotiation to hard decisions on the country's future.

There is a good chance that some of these decisions will emerge from a full-scale constitutional conference which opens in Ottawa today. Chaired by Mr Brian Mulroney, the prime minister, the conference will bring together leaders of all 10 provinces, two Arctic territories and Canada's aboriginal people.

Mr Mulroney has indicated that if Quebec and the rest of the country cannot strike a deal this time, the federal government may step in with its own compromise proposals.

These would probably be crafted to ensure approval by Quebec and would then require the support of only six of the other nine provinces, including Ontario, Canada's most powerful province.

Mr Mulroney is also considering a national referendum. He would gamble that the country's eagerness to put the constitutional industry out of business and avoid an acrimonious break-up would be strong enough to ensure ratification.

The participation of Mr Robert Bourassa, Quebec's premier, at today's meeting is another sign that at least a partial – and perhaps only temporary – solution to the long-running constitutional saga is in sight. Mr Bourassa said over the weekend that the next 10 days would be "a crucial time" in the long constitutional wrangle.

He has boycotted national-unity talks for the past two years, initially in protest against the rejection of the Meech Lake accord, and more recently for fear that another failure at the negotiating table might ignite a new burst of separatist fervour in the francophone province.

Anger generated by the collapse of the Meech Lake agreement boosted the separatist cause in Quebec in late 1990 and early 1991.

But a deep recession, conciliatory gestures from the rest of the country and a skilful balancing act by Mr Bourassa have combined over the past year to dampen enthusiasm for independence.

Pressure to strike a deal at today's meeting is compounded by the national-unity referendum which Quebec is due to hold by the end of October. Unless he decides to delay the vote, Mr Bourassa has, by law, less than a month to formulate the question which will be put to voters.

The separatist Parti Quebecois is pushing for a blunt question on sovereignty. But Mr Bourassa would prefer to campaign on a specific package of constitutional reforms already agreed with the rest of the country.

If he returns from Ottawa without a package which he can sell to Quebec's notoriously sceptical political establishment, the risk increases that the separatist forces will again have the upper hand. A senior Quebec minister hinted last week that the referendum might be delayed under such circumstances.

Mr Claude Gauthier, executive vice-president of Crop, a Montreal opinion polling group, says that in the last referendum campaign in 1980 – which the separatists narrowly lost – those in favour of some form of independence "had to prove it was the good thing to do".

Now, says Mr Gauthier, the onus is on federalists to make their case. "There is much more work to do this time for the people who want Canada to stay together," he says.

Mr Mulroney and his officials, helped by such provinces as Ontario, New Brunswick and British Columbia, have worked hard behind the scenes in recent weeks to bridge the gaps between Quebec on the one hand and the hard-line English-speaking provinces, notably Alberta, on the other.

The most divisive issue now on the table is reform of the Senate, the upper chamber of parliament. The nine English-speaking provinces complicated Mr Mulroney's job last month by cobbling together a pact – known as the Pearson agreement – which would transform the all-appointed Senate into an elected body with equal representation from each province.

Western provinces, especially Alberta, have for almost a decade pinned their hopes on an "equal" Senate as a way to gain more influence in Ottawa. But the Pearson agreement sparked an uproar in Quebec. The reforms would leave the province with only eight French-speaking senators in an 84-member chamber, and Quebecois saw a real danger of bilingualism disappearing in one of the houses of parliament.

Other elements in the Pearson agreement have also drawn criticism, and not only from Quebec.

Having just negotiated a North American free trade agreement with the US and Mexico, Mr Mulroney is pushing for a stronger commitment from all the provinces to tear down the myriad of inter-provincial non-tariff barriers which they have erected over the years.

Hints were being dropped in Ottawa late last week that any deal which emerges from today's conference may end up papering over the most intractable areas of disagreement, such as Senate reform, by putting them off into the far-distant future.

That would leave Canada's quest for a secure identity unfulfilled – and it would probably not be long before the constitutional bandwagon started rolling again.

Television adds to pressure on Collor

By Bill Hinchberger in São Paulo

OPPOSITION parties plan to increase the pressure on Brazilian President Fernando Collor, whose administration is beset by allegations of corruption, in prime-time television election broadcasts starting last night.

Mr Collor's opponents hope to score points by attacking the president and harping on the corruption claims. The national scandal is likely to take precedence over local issues in the nightly broadcasts. Free TV and radio time, awarded to big parties under Brazilian electoral law, will continue at least until the first round of municipal elections on October 3.

Cracks have also begun to appear in the Liberal Front party (PFL), the anchor of Mr Collor's coalition support. Mr Joaquim Francisco, the PFL governor of the northeastern state of Pernambuco, has withdrawn his backing of the president. He was an early supporter of Mr Collor's 1989 campaign.

The report of the congressional commission investigating the activities of Mr Paulo Cesar Farias, Mr Collor's campaign treasurer and the focus of the corruption allegation, is to be completed on Saturday and presented to the committee for approval on August 26. The report will serve as the basis for impeachment charges against the president. The commission is searching the bank accounts of figures involved in the scandal.

A poll by DataFolha, associated with the opposition newspaper Folha de São Paulo, showed that 70 per cent of those surveyed in 11 cities want the Congress to remove Mr Collor from office.

The tone for the municipal campaign was set by a televised debate on Sunday night among leading candidates for mayor of São Paulo, the country's largest and economically most important city.

Chile wins $267m in farm loans

CHILE has secured loans totalling \$267m from the World Bank and Japan, \$165m of which will be used to modernise agriculture and bring more land under irrigation, Leslie Crawford writes from Santiago.

Mr Alejandro Foxley, the finance minister, said the credits would help Chile increase its irrigated farmland by 20 per cent in the next four years. The Japanese government's Fund for Economic Co-operation and Development is lending \$172m for irrigation projects, sanitation and the modernisation of the state railway company, Ferrocarriles del Estado, which has been earmarked for privatisation.

The World Bank loan of \$95m will be used to provide technical assistance and working capital for more than 100,000 small and medium-sized farms.

Chilean agriculture is at present sharply divided between a modern, export-oriented fruit and vegetable sector, which earned over \$1bn last year, and a backward and heavily indebted traditional sector which serves the local market. Mr Foxley said the loans would help the traditional sector to diversify crops and increase productivity.

Bahamas poll hinges on economy

SIR Lynden Pindling, prime minister of the Bahamas, faces a strong challenge over his handling of the economy as he seeks a seventh consecutive term in a general election tomorrow, Canute James reports from Kingston.

Sir Lynden's Progressive Liberal party, which took 32 of the 49 seats in the 1987 election, is being opposed by the Free National Movement led by Mr Hubert Ingraham, a former minister in the PLP government.

The administration in the archipelago of 250,000 people has been troubled by a deteriorating economy. Tourism and offshore financial services, pillars of the economy, have suffered from the international recession; the national debt has grown; and increasing taxation has been used to stem a widening fiscal deficit.

Textile, clothing exports rise 8%

By Daniel Green

TEXTILES AND CLOTHING exports rose almost 8 per cent to £2.3bn in the first half of the year, more than double the growth of imports, said the Apparel, Knitting and Textiles Alliance (AKT), the industry's trade body, yesterday.

The change left the UK's textiles and clothing trade deficit steady at £1.8bn.

"This is a remarkable achievement when the economies of the UK's major overseas markets are in difficulty," said Mr Allan Nightingale, chairman of AKT. "However, the UK market remains extremely depressed."

Clothing exports increased faster than textiles and accounted for £875m of the total. The biggest markets remained the Irish Republic and Germany, with the fastest growth coming from France, Sweden, Spain and Italy.

France reinforced its position as Britain's third biggest export market as sales grew more than 20 per cent to £90.4m.

Sales to Sweden climbed 30 per cent to more than £62m, largely as a result of the shrinking domestic manufacturing base and the strong traditional trading links.

A weak dollar was one of the factors behind a 14 per cent fall in clothing sales to the US, but the value of goods going to the former Soviet Union rose from a negligible level to £13m.

Hong Kong remained the biggest supplier of clothes to the UK, despite a fall of 7.2 per cent to £341m.

Textile exports grew by a more modest 6 per cent. The fastest growing market was the Netherlands, although this figure was distorted by the establishment of a new distribution centre for an artificial fibres manufacturer.

Bullion case ends as police pursue spoils

By Richard Donkin

MUCH of the spoils from Britain's biggest bullion robbery continues to evade detectives some nine years and 12 trials after an armed gang escaped with £26m of gold bars from a top security warehouse near Heathrow Airport.

As four members of the criminal network that handled and conspired to handle proceeds from the Brink's-Mat raid were sentenced yesterday to prison sentences ranging from five to ten years, police were still pondering what happened to part of the proceeds.

Mr Brian Perry and Mrs Jean Savage, who were convicted yesterday at the Old Bailey of taking part in a plot to launder profits from the raid, received sentences of nine years and five years respectively.

Fellow defendants who were convicted last week, Mr Gordon Parry and Mr Patrick Clark, were sentenced to 10 years and six years. Mr Clark's son, Stephen, was acquitted.

In the Brink's-Mat case – Britain's most notorious robbery since the Great Train Robbery more than 20 years earlier – armed raiders threatened to turn security guards into human torches to make them disclose the combination of the vault.

Unlike the train robbers, the Brink's-Mat gang evolved an elaborate plan to convert the bullion into cash and launder the proceeds into the international financial system.

Gold was melted down and sold on the open bullion market by Mr Kenneth Noye, a Kent businessman said to be the central linkman in the scheme. Noye was sentenced in 1986 to 14 years in jail for his part in the plot.

Some £14m is thought to have been laundered into the banking system through two groups of launderers, using the Noye route. Another route is so far undiscovered.

The prosecution said once the money had entered the system it went on a merry-go-round between banks and offshore institutions.

Some £15m in cash and £5m in property alleged by police to belong to the laundering chain has been frozen and is now subject to civil proceedings. The two Brinks-Mat laundering trials are thought to have cost about £7m.

King's retinue gains influence at Bank

BEYOND the hush of the Bank of England's marbled ground floor, a warren of narrow corridors houses the Bank's economics division.

Little is known about the economists that work here other than what appears in the Bank's quarterly bulletin, published today. But a favourite taunt of City and Treasury colleagues is that their research is carried out in a vacuum and has little impact on the authorities' decisions.

The role of central bank economists is bound to be slightly murky. The influence of their work on big policy decisions is limited, given that the government has the final say on monetary policy.

Yet Professor Mervyn King, an executive director of the Bank who took over responsibility for the economics division - or ED, as it is known - a year ago, was convinced that a department of some 35 economists could make a valuable contribution to the Bank's policies. He decided to reorganise the division to "make it more central to the needs of the Bank".

The main change to the division was to reduce sharply the importance of its economic model, formerly the centrepiece of the division and about which all research revolved.

The system, according to Mr King, had become ossified. Under-employed economists scrabbled around for something new to say about their section of the model, rather than addressing relevant issues.

In command: Mervyn King expects researchers to enjoy increased influence at the Bank of England

Withdrawing an established economic model from a group of economists is a bit like robbing an electrician of his tool kit. After all, many of ED's economists had defined themselves in terms of the model since they had begun working there.

"In the old days people had a clear link with a particular bit of the economy, for example, the capital account. That had to change – people had to start thinking about why they were doing what they were doing," said Professor King.

The model was slimmed down from 500 variables to around 350, and the number of people working on the forecasts was cut to around five. At the same time the rest of the department was split into six groups, each focusing on a different area of the economy.

Released from the burden of the forecast, the theory was that the Bank's economists would be free to carry out topical research.

Few problems were encountered on the way. One or two employees left, and those responsible for the model before the changes felt a little bereft at its downgrading.

"Those directly involved with forecasting rather liked the new system once they got used to it. They used to have about forty other economists telling them what to put in their forecast. Now, with just four or five of them they felt they owned it," said Mr Price.

The other groups, including two entirely new sections, could now use their time to research projects relevant to the bank – the shape of the economic recovery, the pros and cons of gilts auctions, analyses of bond yields and the effect of repossessions on the housing market.

A year on and Professor King is pleased with the results of the reorganisation. The division's ideas are beginning to be subsumed into the collective consciousness of the Bank, he says.

One or two of the younger economists still grumble that their work goes unrecognised, and that ED research remains unlikely to influence policy Bank of England decisions. But others claim Prof King has succeeded in bringing ED closer to the heart of the Bank.

One of the division's younger economists working in the quantitative financial economics group – home to the Bank's so-called "rocket scientists" – has recently returned from a job elsewhere in the City.

"Getting me to come back would have taken about five or six months and a sub-committee a few years ago, but this time it took a couple of phone calls," he said. "This place has changed a lot."

Emma Tucker

Companies count the cost of photocopiers

By Michael Cassell, Business Correspondent

SMOOTH-talking photocopier salesmen are swooping on smaller companies when senior staff are on holiday and persuading their deputies to sign extortionate contracts which can ruin the business.

The Confederation of British Industry warned yesterday that, with the boss lying on a beach, some businesses back home are falling victim to "cowboy" salesmen pushing contracts with penal costs and conditions. As a result, a number of unsuspecting companies are being forced to close down, unable either to honour or cancel high cost agreements to which they are committed for many years.

High-pressure sales techniques in some parts of the photocopier market are well known but complaints from customers, who have found themselves on the wrong end of a salesman's slick patter, have been rising.

The Campaign to Clean up Copier Contracts, which represents corporate victims of the photocopier salesmen and is supported by the CBI, backed yesterday's warning.

Companies are not regarded as consumers under the Consumer Credit Act and are, therefore, unable to break contracts they have signed. The campaign also wants churches, schools, charities and other corporate bodies to be given the same protection under the law as individuals and partnerships.

It is calling for a mandatory, two-week cooling off period for photocopier contracts and members plan to meet Baroness Denton, consumer affairs minister, to press for action.

Many companies are being caught out by the offer of a "free" photocopying machine, along with a service agreement which provides for payment at an agreed rate for copies. Only in the small print, however, is it clear that the cost per copy can be very high and can rise by up to 15 per cent each year.

Ms Judith Vincent, the CBI's head of company law, said yesterday:"Vigilance is vital if a company wants to avoid such extortion".

Britain in brief

Cabin crew may disrupt BA flights

Thousands of passengers could face further disruption on British Airways domestic and European flights as the dispute between cabin-crew members of the TGWU union and the airline intensifies.

The crews will today consider another one-day strike over new terms and conditions in the face of threats that those who take action will be suspended and BA's issuing of what it describes as a final offer.

Seven flights were cancelled and passengers delayed following a lightning strikes at Manchester and Birmingham earlier this month. The dispute hinges on compensation for new terms and conditions for the airline's 2,900 crew under which about 1,000 face pay cuts of £2,000, on salaries of £14,000 a year.

Late payments hit companies

In spite of campaigns by business organisations against late payment, nearly a quarter of invoices are still unpaid a month after they are due, according to the latest survey.

The survey by Trade Indemnity, the credit insurance company, said that smaller businesses were particularly badly hit by late payment.

It found that in the April-June quarter, companies received payments an average of 26 days after the due date. This was down one day from the previous quarter's figure but was still a cause for concern, said Mr Clive Brand, Trade Indemnity's senior economist. Payment terms are commonly 30 days.

Unions left unconsulted

British unions and employees have been consulted far less about moves towards decentralisation and greater flexibility in industrial relations than their continental European counterparts, says a new study to be published next month.

While most European governments have been promoting labour-market flexibility, the normal pattern outside Britain has been for such changes to be implemented in close consultation between unions and management, say Prof Richard Hyman and Mr Anthony Ferner of Warwick University, central England.

New state schools urged

The next stage of education reform should be a mechanism to help found new state schools, according to Dr Madsen Pirie, president of the Adam Smith Institute, the right-wing think-tank.

In a book to be published next month, Dr Pirie argues for a system whereby "parents can get together, perhaps with local businesses to found new state schools which can be rapidly accepted for grant maintained status."

The Department for Education should consider preparing and issuing "a guidance manual for parents and teachers wishing to start new schools," Dr Pirie - a member of the government's panel of advisers on the Citizen's Charter - suggests. It is already clear that opted-out, grant-maintained status will become "the norm" for British schools.

Drug tests for Tube workers

Thousands of London Underground staff face random tests for drugs and alcohol abuse if discussions between rail unions and railway management can establish a cost-effective procedure for testing.

London Underground has a new responsibility to take all necessary measures to ensure staff holding a range of jobs critical to safety, such as train drivers, are fit for duty and not under the influence of drugs or alcohol under legislation due to come into effect next month.

The new law gives the police the power to test safety-critical staff they believe are behaving erratically or who have been involved in a potentially or actually dangerous incident.

Business school professor named

One of the UK's first professorships in corporate responsibility has been filled with the appointment of Mr Brian Harvey at Manchester Business School.

Mr Harvey, who is reader in management studies at the University of Nottingham, will take up the Co-operative Bank chair in corporate responsibility this autumn.

Several British institutions have laid claim to creating the first academic position in the subject, including London Business School, which received £1m for the study of business ethics last month from Mr Stanley Kalms, the founder of the Dixons electronics dealership. This position has not yet been filled.

ITN staff agree pay deal

The 700 staff employed by the London-based ITN news organisation have voted to accept a pay rise of 3.5 per cent for the next 18 months following a pay freeze over the past year.

The offer was initially rejected but union leaders said that many staff fear redundancy as a result of the tough stand that the ITV companies are taking in the renegotiation of ITN's contract.

Last north west pit to close

The last coal mine in the north west, Parkside, will close in March 1993 with the loss of [illegible] jobs, it emerged following a meeting between British Coal management and the mining unions.

Unions say more inspectors needed to collect £1bn VAT

By David Goodhart, Labour Editor

AN EXTRA £1bn in Value Added Tax revenues could be collected if 2,000 more tax inspectors were recruited, according to two civil service unions.

The unions say that the government's plan to cut 300 VAT inspectors this year and the decision not to deploy an extra 400 inspectors to deal with the European single market is a false economy.

"It seems madness that at a time of massive fiscal deficit and when the single market is putting millions of pounds of VAT at risk, the government has been cutting the number of inspectors," says Mr Mike King of the National Union of Civil and Public Servants.

The union is lobbying the government along with the Civil and Public Services Association.

The unions say HM Customs and Excise calculated each VAT inspector last year detected an average £270,000 in unpaid taxes. Compared with an average employment costs of £25,000 per inspector this level of "productivity" has increased consistently, the unions added.

They also say the current level of VAT arrears is £1.6bn and calculate the loss through evasion at £1bn. The Single Market is expected to cause an immediate extra loss of £600m through evasion. At £31bn, VAT represents 22 per cent of government revenue.

The unions calculate that an extra 2,000 staff would cost £48m a year but the direct benefit in extra revenue would be £452m and the "preventative" benefit from preventing fraud or non-payment through ignorance would be an extra £556m - an annual gain of £1bn.

Safeguard on timeshare deals

PURCHASERS of timeshare property will from October 12 have two weeks to cancel the transaction and claim back any advance payments made, Baroness Denton, consumer affairs minister said yesterday, writes Michael Skapinker.

The right to withdraw from a timeshare transaction will not apply where the agreement is concluded outside the UK. The European Commission intends to issue a directive covering timeshare agreements throughout the EC.

The Timeshare Act, which provides for the 14-day cooling-off period, has been criticised by the Timeshare Council for not going far enough. The Council, which represents timeshare owners and sellers, says it wants to see better protection for purchasers' money.

The Council says that only 25 per cent of British purchasers buy their timeshare in the UK. The vast majority will not be protected by the Act.

Failure by the seller to comply with the Act could result in fines of up to £5,000 on summary conviction or an unlimited amount on indictment.

Baroness Denton said she intended to use the EC presidency to make further progress on the European directive

Maxwell staves off bankruptcy

By Raymond Hughes, Law Courts Correspondent

MR KEVIN MAXWELL yesterday succeeded in staving off immediate bankruptcy.

After a 75-minute private hearing in the High Court a petition by the liquidators of Bishopsgate Investment Management seeking an immediate bankruptcy order against him was adjourned until September 1.

The adjournment means that Mr Maxwell will have two court appointments on the same day: he and his brother Ian and Mr Larry Trachtenberg are due to make their second appearance before magistrates on fraud and theft charges on September 1.

After yesterday's hearing Mr Kevin Maxwell read a prepared statement. He said the liquidators' petition had not been heard and the court had listed September 1 "to hear the grounds for my opposition to their expedited petition.

"To the best of my understanding an expedited petition is only heard when there is a serious possibility that assets will be dissipated pending the hearing. This is utterly misconceived in my case. No assets have been dissipated or will be dissipated.

Kevin Maxwell leaving the High Court in London yesterday

"I have and will always conduct myself in compliance with court orders and for the benefit of all my creditors. I am pleased the court's decision today has given me this opportunity to publicly state my views."

The adjournment is unlikely to prove more than a hiccup in the liquidators' move to make Mr Maxwell Britain's biggest ever bankrupt.

The liquidators are expecting the High Court to rule next month on their application for final judgment in their identical, but opposed, claim against Mr Ian Maxwell, who was also a director of BIM. If successful they will seek to have him made bankrupt also.

Workers seek prescription to cure sick buildings

Poor working conditions are being blamed for ill health at several UK offices, writes Catherine Milton

GOVERNMENT officials working in Bootle, north west England, claim they run risks every day they report for work. Their office – St John's House – is reputed to be a sick building.

Since the early 1980s, almost half the officials who work there, mainly for the Inland Revenue, have experienced flu-like symptoms of so-called sick building syndrome.

Sick building syndrome is an elusive illness. It is difficult to diagnose, harder to pinpoint causes and few employers will admit to the problem for fear of bad publicity or being forced to make costly refurbishments.

Mr David Rogan, a lay official for the Inland Revenue Staff Federation at St John's House, says he has suffered mildly from the condition: "It is depressing.

"You have not only your normal workload, you have the fact that the building is making you feel ill or not up to par. For the people who suffer badly it's like having a persistent head-cold."

The government is just one of many employers who have found that even the most pristine, modern office block can appear to be a health hazard. The World Health Organisation estimates the syndrome affects a third of European and North American offices and the Commons environment committee put annual cost to UK economy as anywhere between £330m and more than £650m in absenteeism.

"You have not only your normal workload, you have the fact that the building is making you feel ill or not up to par. For the people who suffer badly it's like having a head-cold."

Yet the Health and Safety Executive said this month that 20 years of research had failed to establish the precise cause or cure for the condition.

At St John's House many of the 2,000 staff began complaining of sore throats, dry eyes, headaches and coughs in 1981 as soon as they started working there. They said their symptoms came on at work and their families seemed immune. They blamed the building.

Mr Rogan said: "People would arrive in the morning feeling fine and by late afternoon feel so bad they would have to go home or take a break outside."

The management initially dismissed numerous complaints as resentment at the move or stress from the upheaval. But a 1988 staff survey found that more than 40 per cent of employees regularly went home early because of discomfort at work. The report said St John's House had the characteristics of a "sick building".

This year Property Holdings, the government's building managers, received Treasury approval for an overhaul of the air conditioning system, new fixtures, fittings and some structural alterations that will cost about £20m over the next three financial years. Property Holdings is keen to stress the works will address several problems affecting the 1960s-built offices, not just sick building syndrome.

While it is hard to find a company that will admit to a sick building, there are some celebrated examples. In the US, the Environmental Protection Agency was called in to investigate a mysterious illness affecting 70 staff at its own headquarters.

In 1984 the Public Records Office in Richmond, west London, was closed for about four months for an overhaul after sick building syndrome was diagnosed.

Dr Leslie Hawkins, director of the occupational health service at Surrey University's Robens Institute and an authority on the syndrome, said the label "sick building syndrome" is often misused.

"Sometimes we are called in where 10 or 15 per cent of staff complain of headaches. That's no different to what the population as a whole suffers."

He believes that where a higher than normal proportion of staff report symptoms ranging from irritated eyes, noses, and throats to menstrual disorders, and where those symptoms are triggered by office work, it is likely the building is sick.

Difficulties with diagnosis are outstripped by the problems of determining causes. The executive's 121-page review of recent research concluded that while the sources of the individual symptoms are likely to indicate the sources of the syndrome itself, the field of possible causes is still wide and no single factor can account for the condition.

Cheaply constructed buildings with poorer air conditioning systems, especially public-sector buildings built in the 1970s have had more difficulties than others.

The most popular theory is poor air quality, which researchers explain variously as the result of windows that do not open and faulty air conditioning systems, or some other as yet undiscovered, pollutant. Researchers have also examined noise, artificial lighting, static electricity and electromagnetic fields.

The executive found that, in general, cheaply constructed buildings with poorer air conditioning systems, especially public-sector buildings built in the 1970s have had more difficulties than others.

One cause favoured by some employers confronted with complaints about alleged sick buildings is that the symptoms are the products of the sufferers' minds. They say the syndrome is more common among women, those doing boring jobs, those doing low paid jobs as well of those with a history of allergy.

The executive's report argues there is little to show that the syndrome is psychological in origin. But Dr Hawkins believes stress is an important factor.

He claims: "I have seen cases where it is not the building that is the problem but what goes on inside it."

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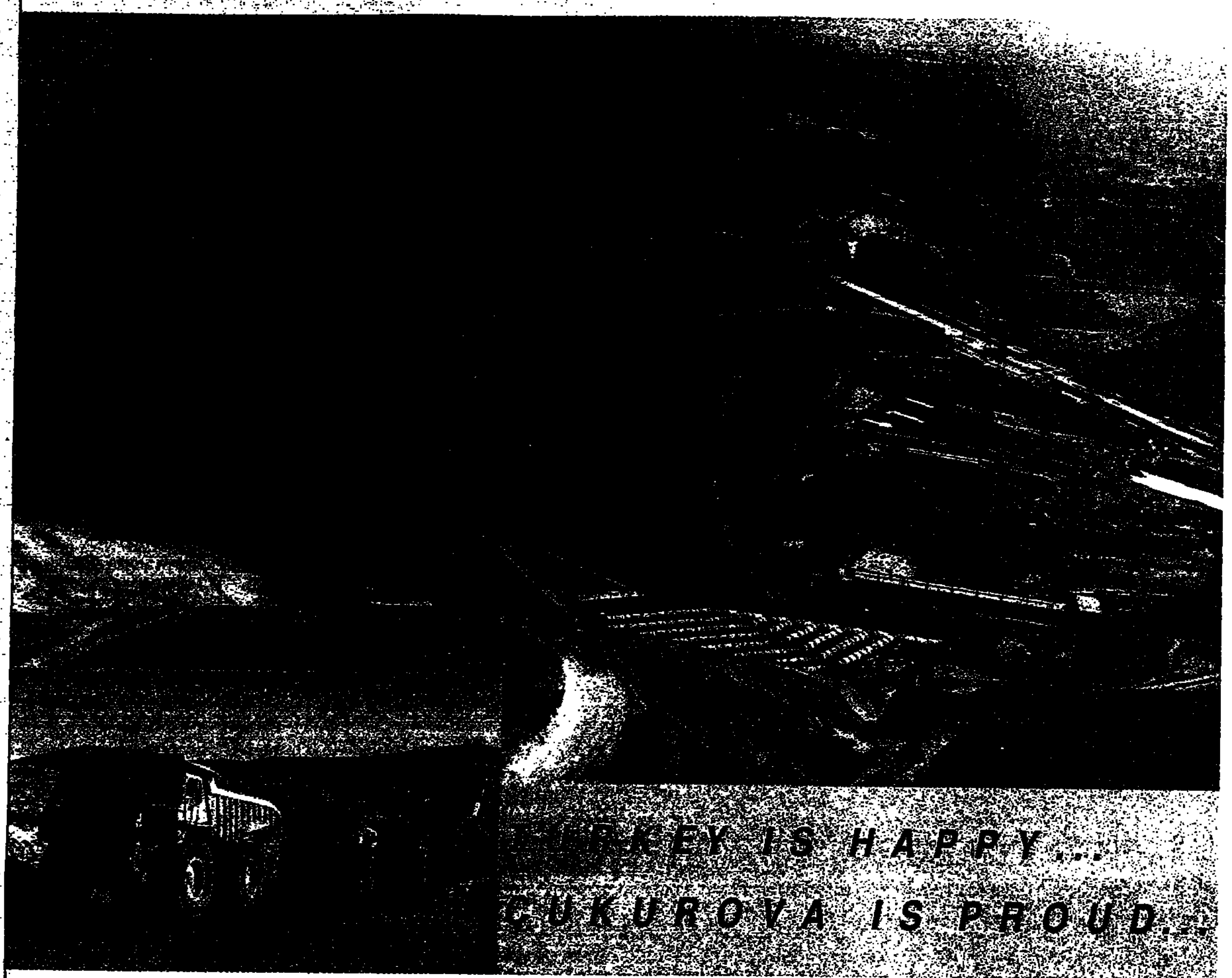

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MANAGEMENT: THE GROWING BUSINESS

Brokers drive a hard bargain

JUST THE JOB

If you possess a passable telephone manner, a flair for negotiating, and a modicum of knowledge about the motor trade, you could become a car broker – someone who offers new vehicles for sale at well below list price.

The returns from this line of business can be high. Brokers add a "mark-up" to the reduced "on the road" price of the vehicle after negotiating with the dealer. They get around 15 per cent discount on the list price from a dealer and then sell on at a 13 per cent discount. On average, an experienced car broker can earn more than £1,000 per week, and a beginner can expect to earn around £350.

But how do you begin? You should start by renting a small office equipped with a phone, stationery, and a copy of the Yellow Pages, which contains a list of car dealers who hold the appropriate franchise. You will then need to advertise in local newspapers. Before you take that step, you would be wise to study the ads in motoring magazines to learn how the experienced car brokers operate.

When a customer responds to your advertisement, take down the details of the requested car model, then contact the dealers. Begin by telling them you are a car broker, or they will not be willing to negotiate.

Once the quote has been accepted by the car-buyer, the dealer delivers the vehicle directly to the buyer, receives payment and forwards the agreed commission to the broker.

This symbiotic relationship between the car dealer and broker is flourishing now that car tax has been halved. Furthermore, because cars in several European countries can cost 40 per cent less than cars made in the UK, the EC's competition directorate has drafted rules which may force down UK car prices.

Thomas Slemen

A longer life-line

Japanese small companies are coping with hard times but whether they can continue to do so remains questionable, reports **John Burton**

When the Japanese economy sneezes, it is its small businesses that catch cold.

During previous economic downturns, small companies served as shock absorbers to ease their big business customers over economic bumps. In their role as subcontractors, small industrial concerns were often forced by their big clients to cut profit margins for the components they supplied.

But small companies are now more successful in resisting profit squeezes and weathering hard times. Although the number of bankruptcies has doubled among small and medium-sized businesses since the height of the economic boom two years ago, it is no worse than in 1987, when the economy suffered from the yen's sharp appreciation. In addition, the percentage of bankruptcies among industrial companies has fallen, while that for finance companies and small retail outlets has grown.

One main reason for their survival, according to Tsuyoshi Nakai, director for research of the Ministry of International Trade and Industry's Small and Medium Enterprise Agency, is that many small manufacturing companies built up large capital reserves during the economic boom of the late 1980s.

They also avoided investments in overvalued land and securities, and used their earnings instead to acquire capital assets such as machinery. "The good liquidity situation means that most small and medium businesses can survive for another year or two before encountering severe difficulties," said Nakai.

One good sign is that the profitability of small concerns, measured by the ratio of earnings to sales, is not much different from the country's big companies. Companies that have gone bankrupt have tended to be ones which over-invested in production technology in the belief that the economy would keep expanding rapidly.

The small business sector has benefited from a gradual restructuring. About half of the small companies work as subcontractors to bigger concerns, but they are reducing their dependence on a single company. "The keiretsu relationship is gradually disappearing as small companies develop niche products that they can sell to several customers," said Nakai. "We are shifting from a pyramid structure, with one company dominating thousands of suppliers, to a network system that is more egalitarian."

This has enabled small companies to assert themselves and refuse to accept price cuts. Those with advanced products have a better bargaining position than ones that turn out basic components.

Fortune telling: the future of many small companies is in doubt

The Arakawa district in Tokyo, for example, is home to more than 8,000 closely-packed family-owned workshops, with most employing fewer than 20 people. Almost all are subcontractors producing components for the car industry as well as parts for bicycles, furniture and electrical appliances.

The downturn in the motor industry has particularly hurt the district, with a 60 per cent drop in orders from a peak period in the early 1980s. "Although demand is shrinking, companies are reluctant to reduce prices because of the need to pay back loans and maintain wages," said Mashiro Kitagawa, deputy director of the Arakawa branch of the Tokyo Chamber of Commerce. "Instead, they are reducing their workforce, with some companies now only relying on family members."

The fall in land prices has had a beneficial effect on companies operating in central Tokyo. "The high rents that drove some companies out of the district are coming down. This is easing the financial pressure on businesses here," Kitagawa adds.

But concerns remain about the long-term future of small businesses. It is difficult for small concerns to get bank loans, and their ability to attract labour will become more difficult as the economy improves. "Many of the family owners are even finding it tough to persuade their children to carry on the business," explains Atsushi Yamauchi, the project manager for the Arakawa Chamber of Commerce.

These problems are not limited to Arakawa; they threaten the future of Japanese small businesses. The need for Japanese banks to improve their capital adequacy ratios could curb loans to small businesses. Even small concerns that have used their own land as collateral may find it difficult to secure new loans if land prices fall drastically.

"The tightening of credit to small businesses will damage their efforts to develop new technologies, attract skilled workers such as engineers, and introduce automation to replace workers," said Nakai.

Moreover, automation may not be a practicable solution for companies too small to use it effectively. Instead, they will need to attract workers in a country suffering a serious labour shortage.

Finding new workers is likely to prove a formidable task. Wages are lower and working hours longer at small companies. They are also associated with 3-D ("dirty, difficult and dangerous") jobs that most young Japanese now shun. The government is encouraging small companies to improve their image by reducing working hours, but most concerns are reluctant to do so because this will increase costs.

Instead, they are pressing the government to increase the number of cheaper foreign labourers allowed into Japan. Small companies are already among the main employers of illegal workers – mainly from the Middle East and the Indian subcontinent.

All this is discouraging the creation of new small companies. The proportion of new businesses has fallen to 4 per cent of the total number of companies, compared with 6 per cent 10 years ago. The ratio is lower for manufacturing concerns – at 3 per cent.

Nakai believes that, if steps are taken, there could be a resurgence of small businesses. Local governments should promote small businesses which would serve as the focal point for regional development, with each area specialising in a few industries. Small businesses could also co-operate in such activities as distribution and marketing, in order to reduce costs and increase their efficiency. Finally, they could seek foreign investment.

Consultancy and fool's gold

By Sarah Hegarty

For John Ryan, consultancy is a dirty word. Three years ago as the director of a small business making satellite television equipment, he had the chance to expand into the German market. Aware that he needed advice, Ryan (not his real name) contacted his local branch of the Department of Trade and Industry, hoping for the subsidised consultancy help advertised as part of the DTI's Enterprise Initiative.

According to Ryan, he "got nowhere" with his approaches to the DTI. He thought the help on offer was half the cost of one of the company directors going to Germany; instead, after "many weeks of phone calls and discussions", it emerged that the DTI would provide a representative, and would pay half his costs.

Ryan was disappointed: "I didn't think anyone representing us could have done as good a job as we would ourselves. And I didn't want to pay half the cost of the consultant's holiday." He felt part of the problem was the size of his business – it only employed eight staff, but "they were treating us like a big firm".

'There's no point in them getting advice really cheaply and then wanting to carry on on their own and finding out that they can't afford it'

According to the Federation of Small Businesses, Ryan was not alone. Around the same period, the FSB's Birmingham office received many complaints about the quality of consultancy advice to small businesses under the Enterprise Initiative. The result was a meeting between the FSB and the local DTI office to reinforce small business needs.

Both sides now agree things have improved: according to the local DTI office, in the last year they have had only a handful of complaints, yet have a total of 2,400 consultants on their books. FSB spokeswoman Fay Goodman cautiously agrees. "We haven't had as many complaints in the last year, but more small businesses have been going bust, and they don't have the money to get consultancy advice. We still get the impression there are problems."

Under the Enterprise Initiative, companies with less than 500 employees can apply to the DTI for consultancy help. This can range from five to 15 days' work, and half the costs will be paid by the DTI. In some areas of the UK the department meets two-thirds of the cost.

According to the DTI, the role of matching consultant to company is the responsibility of the organisations contracted to run the scheme. These each cover a separate area, from design (the Design Council) to marketing (the Chartered Institute of Marketing) and business planning (3i Industrial Support Ltd).

At the Design Council, Helen Ives-Rose manages the Enterprise Initiative design consultancy scheme. She says the council has 576 consultancy practices on its books. "To be considered for the scheme, they have to have been in business for at least two years and be able to show successfully completed work."

Ives-Rose admits that some small firms can be disappointed with the help they get. "We do try to stress that they are unlikely to get a completed project with 15 days' work. She adds that companies have to understand that consultancy advice is expensive. "There's no point in them getting advice really cheaply and then wanting to carry on on their own and finding out that they can't afford it.'

The DTI is confident that any complaints about the scheme are picked up by its independent evaluations; according to a spokesman, studies carried out in June 1989 and February 1991 found that "over 50 per cent of the 420 firms questioned were now more likely to use consultancy help in the future" and "84 per cent reported that the scheme represented value for money".

But at the FSB, Fay Goodman warns small businesses not to be over-impressed with the idea of consultancy. "It can sound so wonderful, and people do think it's the answer to all their problems."

For John Ryan, going it alone is now the only answer. After the collapse of his satellite TV equipment business he is starting up again, but in a different field. "I'm not asking for any help now – you've got to do it yourself."

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2ND INVITATION
For the submission of Declarations of Interest for the Purchase of the Assets of "KAROLOS FIX Brewery, Ice and Malt Makers SA", of Athens, Greece.

By this 2nd invitation "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator, invites all interested parties to submit not later than the 3rd September 1992 Non-binding Written Declarations of Interest for the purchase, by public tender, of one or both of the groups of the assets of "KAROLOS FIX Brewery, Ice and Malt Makers SA" a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990.
The Company was founded in 1927 and was involved in the production and trade in connection with brewery, ice and malt making. With the exception of the factory for refrigerators and ice making, the operation of the Company has ceased since 1983.

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For the submission of Declarations of Interest as well as for obtaining an Offering Memorandum and further information please refer to the Liquidator's agent: Mr Nicolaos Barbaressos, address: 59, Panepistimiou St., ATHENS 105 63, tel.: +30-1-3219060, 3218980, 3231484, fax: +30-1-3217905.
Please also refer, for further information, to the 1st publication of this Invitation in the Financial Times' issue of 14th August, 1992.

2ND INVITATION
For the submission of Declarations of Interest for the Purchase of the Assets of "VIEX Constructions and Equipment of Industrial Facilities", of Athens, Greece.

By this 2nd invitation "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator, invites all interested parties to submit not later than the 3rd September 1992 Non-binding Written Declarations of Interest for the purchase, by public tender, of the whole of the assets of "VIEX Constructions and Equipment of Industrial Facilities" of Athens, Greece, presently being under liquidation under the provisions of article 46a of Law 1892/1990.
The Company was founded in 1980 and until 1991 was involved in the study, construction and manufacturing of all kinds of industrial equipment and facilities, machinery, cars etc. The operation of the Company ceased in 1991. No personnel is currently employed. Assets include facilities built on land of 36,000m², in Mandra, Attika, facilities built on land of 4,650m² in Piraeus, and a 50% share in land of 5,246m² in Larissa. Assets also include machinery, mechanical equipment and trade marks.
For the submission of Declarations of Interest as well as for obtaining an Offering Memorandum in respect of the sale and any further information please refer to the agent of the Liquidator:
Mr Constantinos Christopoulos, address: 56, Panepistimiou St., Athens, tel.: +30-1-3632047 or 3231484, fax: +30-1-3217905.
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INVITATION
For the submission of Declarations of Interest for the Purchase of the Assets of E.G.I., PAPER MANUFACTURING OF WESTERN GREECE S.A. of Patras, Greece.

ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities, of 1 Skouleniou St., Athens, Greece, in its capacity as Liquidator of E.G.I., MANUFACTURING OF WESTERN GREECE S.A., a company whose registered office is in Patras, Greece (the Company), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990, invites interested parties to submit within twenty (20) days from publication of this notice, Non-Binding Written Declarations of Interest for the purchase of the total assets of the Company.

BRIEF INFORMATION: The Company was founded in 1988 and was engaged in paper manufacturing. The Company's operation ceased in 1991 and no personnel is currently employed.

The Company's assets include.
1. An Industrial Complex in Patras, consisting of buildings covering a total area of 32,614 m² and a total volume of 295,751 m³, built on land of 48,310 m², six papermaking machines and other mechanical equipment and five plots of land totalling 5,494 m².
2. An Industrial Complex in Aegion, consisting of buildings covering a total area of 20,109 m² and a total volume of 200,693 m³, built on a land of 84,841 m², four papermaking machines and other mechanical equipment and one plot of land 363 m² and 3. Other assets such as office furniture, equipment, trade marks, etc.

SALE PROCEDURE: The sale of the assets of the Company will take place by way of public tender in accordance with the provisions of article 46a of Law 1892/1990 and the terms mentioned in the relevant invitation to be published for this purpose in the Greek and foreign press on the dates provided by the law.

SUBMISSION OF DECLARATIONS - OFFERING MEMORANDUM- FURTHER INFORMATION:
For the submission of Declarations of Interest as well as for obtaining an Offering Memorandum in respect on the sale and for any further information, please refer to the Liquidator of the Company: ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities, at 1 Skouleniou Street, 105 61 Athens, Greece, tel: +30-1-323.14.84, fax: +30-1-321 79.05 (attn. Mr. Peter P.Dracopoulos) or the Liquidator's agent in Patras: Mr Dimitrios Sanalos at 43-45 28th October Street, 262 22 Patras, Greece, Tel. +30-61-323.893, 320.492 and 422.034

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LEGAL NOTICES

Notice of Appointment of Administrative Receivers
CHEQUERS EUROPE LIMITED
Company No. 2432566
NOTICE IS HEREBY GIVEN, pursuant to Section 46 of the Insolvency Act 1986 that on the 3rd day of August 1992 we, Vivian Murray Bairstow and James Kenneth Rees Jones, of Robson Rhodes, 186 City Road London, EC1V 2NU, were appointed Joint Administrative Receivers under the powers contained in a debenture dated 14th February 1990 giving the holder Barclays Bank PLC, a fixed and floating charge over the whole of the property of the company.
V.M. Bairstow, J.K.R. Jones.
Dated this 3rd day of August 1992

IN THE MATTER OF
REINHOLD F.M. LIMITED
AND IN THE MATTER OF THE INSOLVENCY RULES 1986
In accordance with rule 4.106 of the Insolvency Rules 1986 notice is hereby given that V. M. Bairstow and R. W. J. Long of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 4th August 1992
Dated this 6th day of August 1992.
V M Bairstow and R W J Long, Joint Liquidators.

IN THE MATTER OF
REINHOLD OVERSEAS ESTATES LIMITED
AND IN THE MATTER OF THE INSOLVENCY RULES 1986
In accordance with rule 4.106 of the Insolvency Rules 1986 notice is hereby given that V. M. Bairstow and R. W. J. Long of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 4th August 1992
Dated this 6th day of August 1992.
V M Bairstow and R W J Long, Joint Liquidators.

IN THE MATTER OF
REINHOLD PROPERTY MANAGEMENT LIMITED
AND IN THE MATTER OF THE INSOLVENCY RULES 1986
In accordance with rule 4.106 of the Insolvency Rules 1986 notice is hereby given that V. M. Bairstow and R. W. J. Long of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 4th August 1992
Dated this 6th day of August 1992.
V M Bairstow and R W J Long, Joint Liquidators.

SOUTH QUAY LIMITED
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at Shelley House, 3 Noble Street, London, EC2 on Wednesday 2 September 1992 at 11.00 am for the purpose of receiving a report prepared by the Joint Administrative Receivers and if thought fit to establish a committee("the Creditors Committee") to exercise the functions conferred on it by or under the Insolvency Act 1986. Proxies to be used at the meeting must be lodged, together with any claim to be made by the creditor at the offices of the Joint Administrative Receivers, Shelley House, 3 Noble Street, London, EC2 no later than 12.00 noon on Tuesday, 1 September 1992. Notice is hereby given that creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.
Dated 13 August 1992
R M Addy, M A Jordan
Joint Administrative Receivers

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TECHNOLOGY

Sematech funding in doubt

The US Department of Defence Advanced Research Projects Agency (Darpa) plans to phase out funding specifically designated for Sematech, the US semiconductor industry research consortium, according to a report prepared by the General Accounting Office, the Congressional watchdog agency.

Although Darpa plans to continue to spend $80m (£42m) per year for the next four years on chip manufacturing research, the defence agency is turning its priorities towards military rather than industrial needs.

The future of Sematech does not appear to be in doubt, but the change is significant. It signals an end to the Sematech model of industry-government collaboration that has placed the consortium at the centre of an ideological debate over "industrial policy", since its formation in 1987.

For the past five years, Sematech has been in the unique position of receiving government funding for its efforts to boost the international competitiveness of an industry segment. It was established to enable the US semiconductor industry to regain world leadership in chip manufacturing.

In the future, if Darpa has its way, Sematech will receive government money only on a project basis. Like any contractor it will have to mesh its goals with those of the defence agency.

However, Darpa's decision has come as no surprise to Sematech. The consortium is already emphasising the defence value of its efforts and is downplaying its crusade for government intervention to prevent the US losing its technological lead.

Sematech officials remain cautiously confident that it will continue to receive Darpa funding at the desired level of $100m per year. A Darpa proposal to reduce fiscal 1993 funding to $80m has been countered in Congress.

Darpa's change of strategy is hardly the final word. Congress may well restore direct funding for the consortium. What is more, a change of president would all but assure Sematech's future. Al Gore, the democratic vice presidential candidate, is a strong advocate of the US high-technology industry.

Louise Kehoe

Andrew Baxter describes how the humble warehouse is opening its doors to automation

Robots in bulk

Looming over British Steel's tinplate works in a steep valley at Ebbw Vale is a somewhat forbidding structure. It may not win any architectural awards but its contents hold the key to a problem that British manufacturers frequently ignore.

Over the past decade, industrialists have modernised their production processes to survive in increasingly competitive markets, but updating the warehouse next door tends to get overlooked.

"Companies worry about the introduction of automation that does not come within the sphere of their experience," says Jack Haggett, managing director of Haden Technology, the UK warehouse technology and logistics company. "There's a little bit of technofear."

At Ebbw Vale, British Steel decided some six years ago to bring its warehouse up to the same technological standard as its production plant by introducing a modern storage and handling system.

The aim, says British Steel, was to achieve a much-improved delivery performance, better stock control, save energy – automated systems can work in the dark – and reduce damage by cutting manual intervention to a minimum.

The solution was commissioned in 1990 – a 32-metre-tall automated highbay warehouse with 14,748 rack locations for tinplate coils and bulks, packed with automatic guided vehicles (AGVs), stacker cranes and conveyers and controlled by a computerised management system linked to the British Steel tinplate computer.

With the warehouse fully operational, all the expected savings have been achieved, says British Steel.

Highbay warehouses sit like giant shoe-boxes on their long sides throughout continental Europe, but are rather thinner on the ground in the UK. Haggett, whose Letchworth-based company designed the Ebbw Vale system, says Germany is investing 10 times as much in automated warehousing as the UK.

There are a number of reasons for this, he says. Planning problems are a genuine concern in the UK – highbay warehouses may not be rejected outright by planning authorities but often have to be enhanced externally, thus raising the cost.

UK industry also demands a 20-25 per cent return on its capital, which does not seem to be the case in Germany, says Haggett. "There they look at the whole-life cost of whether, for example, it is cheaper to use wheelbarrows or conveyers."

Then again, a cheaper low-rise warehouse may lose some of the efficiency gains of its highbay counterparts, but is easier to convert to other uses. "That's a perceived problem with highbay warehouses in the UK," says Haggett.

Joachim Miebach, founder of Frankfurt-based Miebach Logistic Systems, offers another reason for the different approach in the UK, where the company has recently undertaken a number of big automated warehousing and logistics projects via its office in Oxford.

"I have a feeling that in the UK there is some reluctance to use machinery to solve a warehousing problem, and a preference to use IT only – barcoding, checking systems and sophisticated inventory control.

"In Switzerland, and especially in Germany, the tendency is to start with the machinery – highbay warehouses and stacker cranes. These have to be automated, so IT is a necessary consequence."

The recession has also had a damaging effect on UK automated warehousing investments, reducing the market to about a quarter of its level at the end of the 1980s. However, UK inquiry levels have recently risen just as continental European business begins to slow.

Redressing the balance in the UK will depend partly on companies such as Haden and Miebach raising their profile. "All our work shows there are tremendous cost savings from high-tech automated warehousing," says Haggett. "But it is hard to break through the barriers."

One way to achieve it is to have allies among the customers. Assuming a company has a fairly high level of activity with fast movement of goods, there then needs to be what Haggett calls a "crazy man" pushing through fundamental change that is "off the process" or separate from the main effort to update production technology.

For the layman, a look inside a highbay warehouse at work might easily bring on an attack of "technofear". Deciding the right combination of the available technologies, organising equipment purchases from a big range of mainly continental suppliers, and taking turnkey responsibility for the warehouse and its integration with production is a challenging task.

Over the past five years, one of the most important developments in European warehousing has been in attitudes to computer control. Centralised systems controlling all the details have been found to be too costly and time-consuming, leading to a trend towards decentralisation with self-contained computer systems for separate warehouse functions passing up only the necessary data to the main computer.

AGVs, the driverless warhorses of modern warehouses, are also changing, with the traditional wire guidance system being replaced by more sophisticated controls. These could either be a robot-style teaching method, where the AGV repeats a movement automatically after being taken through it manually; or through vision systems which enable the AGV to recognise a pre-programmed route.

But prospects for further applications of robots in warehouses are limited. While well-established, and increasingly reliable, at picking and placing layers of goods, they still have difficulty adapting to the huge variety of goods found at an average warehouse.

Consequently, the trend in warehousing towards fast delivery of small quantities of goods at high frequencies can be hard for a robot to handle, although they are making a mark in niche markets such as in pharmaceutical warehouses, where packages are more uniform.

Companies like Haden and Miebach spend a lot of time talking to robotics suppliers in the hope of pushing for improvements, but the real problem, says Miebach, is that "we have not come across the warehouse robot that can imitate the movement of the human hand".

Sometimes, though, there are occasions when no mechanical solutions are necessary. "There have been times when we've told a client to paint a few lines on the floor, buy a PC with a warehouse management program, and the problem will be solved," says Haggett.

Technically Speaking

Multimedia and the consumer

By Robert Thompson

THE "multimedia" clans gathered recently in the Japanese resort of Hakone intent upon participating in the birth of a huge new market for products that exploit the confluence of electronics and the arts.

Each of the 100 or so delegates representing leaders in the graphic arts, the computer industry, publishing, consumer electronics and film all appeared confident that by forming partnerships they can create products with vast potential.

Yet they stumbled in attempting to identify future uses of multimedia, and puzzled over how to charge customers for yet-to-be-defined products and services.

After years of such industry gatherings, initially attracting computer and consumer electronics executives but now drawing a more diverse crowd, multimedia is still a solution looking for a problem; an intriguing combination of technologies that has yet to find a commercial outlet.

Delegates in Japan were quick to congratulate each other on being "visionaries" by their mere presence at the conference, but there was a somewhat snooty presumption that consumers are not visionary because they may be reluctant to purchase the "new media" products of the future.

It was broadly suggested that "consumers will not determine" the success of new technologies and that industry must lead the consumer into the future. This, despite the obvious absence of direction within the multi-industry group and the failure of most consumer electronics companies to come up with successful new products over the past few years.

Neither have the personal computer companies much to crow about. With PC hardware now reduced to a "commodity", they rely almost entirely upon the ingenuity of semiconductor suppliers and software developers to provide evolutionary improvements in their products as the early flare of the "PC revolution" fades.

Both industry segments desperately need a new generation of products to boost their fortunes. So it is hardly surprising that they should promote the exciting potential of multimedia.

In an attempt to make the Hakone conference an important step along the way to the "convergence" of multimedia industries, John Sculley, chairman of Apple Computer, produced a list of six proposals that all participants were supposed to etch into their corporate agendas:

- Hardware makers, such as Apple, will need to create a "platform" for multimedia. Apple itself vowed to increase sharply production of computers with compact disk capacity.
- The hardware and software industries should establish a "New Media Centre" that would provide facilities for experimenting with technologies and space for artists to increase the flow of software for these technologies.
- Diverse companies should exchange more information electronically in a "Virtual Forum". As a first step, Sculley announced that Apple will open up its electronic mail services to other systems to encourage communication.
- The technology industry should create "hypernetworks": communications systems that speed the convergence of text, graphics, video and sound.
- A working group should be established to devise standards for the publication, sale and distribution of multimedia materials and propose updates to intellectual property laws to fit the new technologies.
- The industry should refine multimedia technology for educational applications. In the future, Sculley suggested, the "haves and have-nots" will be defined as those who do or do not have access to multimedia technology.

As these proposals demonstrate, there are many hurdles to be overcome before multimedia can reach its full potential in the marketplace. Inter-industry partnerships may be important, yet in the self-congratulatory atmosphere of Hakone there is a danger that this industry intelligentsia may loose sight of its ultimate goal – the consumer.

PEOPLE

■ Barry Gibbons has taken another step towards GRAND METROPOLITAN's boardroom with his appointment as chairman of Burger King.

Gibbons, 46, former chairman and managing director of GrandMet Retailing, was sent out to Florida from the UK as chief executive of Burger King to mastermind the restructuring of the US fast food chain soon after it came into the group with the 1989 Pillsbury acquisition.

"He has achieved an exceptional record of accomplishments in management and improved profitability," said Ian Martin, GrandMet's chief operating officer, whom Gibbons succeeds as head of Burger King.

Gibbons, already a member of GrandMet's group operations committee which deals with development policy and strategy, will now function "as Burger King's link to GrandMet," Martin added.

At the same time, James Adamson, president of Burger King's US retail arm, has been promoted to the new post of chief operating officer, worldwide. Adamson, 44, who has overseen improvements in service, marketing, and profitability in the company-owned US outlets, will be responsible for operational standards of the business throughout the world.

Lucas recruits from customer

Lucas Industries, the Midlands-based motor and aerospace components manufacturer, has found a senior executive from its biggest customer, Ford, to fill the finance director spot left vacant when David Hankinson resigned unexpectedly in March.

Belfast-born John Grant, who joined the US motor giant in 1967, has worked his way up through the treasury side of Ford in both Europe and the US, becoming treasurer of Ford Europe in 1985. Later appointed executive director of corporate strategy of Ford based in Detroit, he had been a key player in the acquisition of Jaguar in 1990, and hence was drafted in, as deputy chairman and number two to Bill Hayden, by Ford after the purchase.

With his planning and finance background, his job was to map out a fresh business plan for the luxury carmaker that fitted in with the style and expanded resources of the new parent.

While some saw him as the heir-apparent to Hayden, who retired in the spring, he clearly did not have the strong engineering and manufacturing background - the areas Ford had identified as priorities for attention at Jaguar.

After the appointment of Nick Scheele to the top job, Grant stayed on in the UK with a "special assignment" to Jaguar Sport for a few months. By the time his next assignment emerged, executive director of international financing at Ford Financial Services Group. Lucas had already made the approach - although Grant still took up the Detroit job before the Lucas offer was finalised.

Sir Anthony Gill, Lucas chairman, believes 46-year-old Grant, with his auto industry and international financial experience, will complement well the skills of Tony Edwards, 47, the former head of the aerospace division, who is now group managing director and chief executive designate. Grant's predecessor, Hankinson, also came from a car manufacturer - in his case Rover.

Grant joins at the beginning of September, about six weeks before Lucas, which has been hard hit by the recession, unveils its results for the year to July 1992.

■ Rab Telfer has stepped down as executive chairman of BSI Standards, the largest division of the British Standards Institution, after three years in the job.

Telfer, 61, whose children gave him a metal detector "as a retirement present several jobs ago", retired as chairman of the petrochemicals division of ICI in 1981.

But he then became chairman and managing director of Mather & Platt during a period of stern rationalisation; in the mid 1980's he spent four years as director of the Manchester Business School; and he then chaired a management buy out of the fasteners division of GKN.

The achievement he claims for his time at BSI, during which the approach of the European single market has greatly expanded the load, is a major transformation in the efficiency of what is primarily a voluntary organisation. When he arrived, about a year would elapse between the technical committees signing off on standards and the final product being published, whereas it now takes around six weeks, according to Telfer.

He has recently been appointed chairman of the governors of the new University of Teesside and is also on the Higher Education Funding Council for England, which officially comes into being early next year.

The BSI has not yet appointed a successor.

Bodies Politic

□ Derek Lee and Alec Wilson, who are both registrars at the Registry of Friendly Societies, have been appointed the first two commissioners on the FRIENDLY SOCIETIES COMMISSION which is being set up to regulate friendly societies and promote protection of their funds.

□ Sir Colin Chandler, chief executive of Vickers and a non-executive director of Siemens Plessey Electronic Systems and TI, has become a member of the NATIONAL DEFENCE INDUSTRIES COUNCIL. He was head of defence export services at the Ministry of Defence before joining Vickers.

□ Maureen Theobald, principal of the Nightingale and Guy's College of Nursing and Midwifery, has been appointed Chairman-Designate of the English National Board for Nursing, Midwifery and Health Visiting.

□ David Thomson, originally a trustee nominated by Portsmouth City Council, has been appointed chairman of the PORTSMOUTH NAVAL BASE PROPERTY TRUST, in succession to Robin Bishop. Thomson did his National Service in the Navy and was subsequently a lieutenant commander in RNR; he is a recently retired director of Lazard Brothers, a member of the Monopolies & Mergers Commission, on the court of the Henley Management College, and chairman of the Fitzwilliam Museum Trust in Cambridge.

BUSINESS LAW

Need to rethink Russian reform

By William Lee

One year after the failed Moscow coup, western attitudes towards reform in Russia under President Boris Yeltsin are changing.

At first, emphasis was placed on "shock" economic reforms advocated by the International Monetary Fund and on the efficiency of Korean, Taiwanese and German economic reform models, as if these models were relevant.

The need for massive western aid was justified by suggesting that the fate of democracy in Russia (and other former Communist bloc countries) would ultimately be determined on the economic front.

The advocates of the IMF approach – rapid introduction of mass privatisation and liberalisation of the entire economy – believed that it was necessary to push through unpopular economic measures.

The Russian dissenters – parliamentarians and the old-line Soviet industrial elite – said that the IMF's prescriptions were too simplistic. They pointed out that it took centuries to develop the western capitalist economies. And their research showed that there were strong non-market elements such as subsidies and protectionist tariff barriers involved in growth in Korea and Taiwan, for example.

They also argued that successful western (and Asian) economies are mixed and pluralistic. There are large public sectors, unions, pressure groups and so on that do not yet exist in Russia.

The elite's criticisms were, to a large extent, valid, and since spring this year they have succeeded in slowing down the reforms pressed on President Yeltsin by the IMF.

Convertibility of the rouble has been deferred; the industrial elite has returned to positions of ministerial power and to the Russian central bank; energy price liberalisation has been postponed; and new credits have been approved for Russian industry – increasing the budget deficit and aggravating inflationary pressures. There is even talk in Moscow of a change of government before the end of September.

The Group of Seven leading industrial nations and the IMF are now reconsidering their approach to Russia. Their reported consideration of increased direct financial aid from western governments fails to take into account the emerging view that the success of economic reform in Russia (and elsewhere in eastern Europe) may depend on constitutional and political reform.

Many Russians have concluded that Russia's economic reforms (and those of the other CIS republics) cannot succeed without strong government. This means strong governments in each of the republics and, more importantly, a strong co-ordinating central government in Moscow.

Former President Mikhail Gorbachev's attempt to put together an almost US-style federalism was correct. *Perestroika* – intended to strengthen Soviet central authority through elimination of inefficient Communist party political control and the introduction of local autonomy – was and is the only right answer to the realities of the ex-Soviet Union.

Recent efforts to prepare the Soviet auto industry for privatisation support a federal approach. There are tens of car and truck plants spread across a number of republics and organised in a mutually dependent system. A car or truck cannot be assembled in Moscow without parts from other plants. Privatisation is impossible as long as plant managers do not work together.

Furthermore, the auto industry is simply too big to be privatised right away. Yet, there is a great deal of modern equipment, a large and expanding internal market and good prospects for increased exports.

In the auto industry – as in others – central governmental assistance to maintain the output of the principal plants, credit to permit acquisition of important spare parts and transitional tariff protection are necessary. This needs to be co-ordinated from the centre.

Russia cannot move forwards on the basis of economic guidance alone. Yet, until now, the G7 nations have turned over the whole of the Russian problem to the IMF. This has been a mistake. The IMF has no answer to the present situation in Russia.

The G7 countries need to provide another kind of advice – to move towards a form of "political conditionality" in the Russian situation. This would mean encouraging strong government as a prerequisite to financial and other assistance.

The west should not operate competing embassies and offices in each of the republics of the CIS – accepting as a *fait accompli* the complete collapse of the Soviet Union as a political entity. On the contrary it should be pressing Russia and the other republics to study and adapt relevant political models – ranging from the Swiss cantonal system through the Canadian and EC confederations to the US federal model.

Without something like the US constitution's commerce clause – establishing federal supremacy in matters involving interstate commercial relations – the ex-Soviet Union's economy will suffer badly. It is a single economy and must be treated as such by the political system.

If a "commerce clause" approach is not adopted, economic chaos, civil war and eventual intervention by the military may be the result.

Therefore, at this stage in Russia's transition from communism, political and constitutional reform should receive a higher priority than it has to date.

What are the implications of all this for the west?

First, the impulse to react by seeking to increase direct economic aid should be resisted by the G7. The problem in Russia (and elsewhere in eastern Europe) is not money. Investments and foreign assistance would largely be wasted under current conditions.

Moreover, there is a danger that the present Russian government is placing too much confidence in foreign economic counsel. If the results are a failure – as is likely without necessary constitutional and political change – Russia will be disillusioned and bitter.

Already Russian leaders such as Vice-President Alexander Rutskoi have expressed a desire to go it alone. Western governments need to listen to these voices.

Second, as President Yeltsin enters a period of maximum danger – not unlike that which preceded Mr Gorbachev's downfall – the G7 leadership should not be reluctant to support the creation of a strong federal government in Moscow, even at the risk of further deviation from the IMF's usual nostrums.

The west should begin to give advice on possible legal and constitutional reforms before it is too late. Such advice should not be given through the IMF. A new forum needs to be created. The G7 should encourage the Russians themselves to recruit a small multinational group of pragmatic political advisers to work with the Russian presidency, the Russian Supreme Soviet and the leadership of other ex-Soviet republics to bring forward new possibilities for creation of a federal constitutional and legal system in the former Soviet Union.

The author is a US lawyer, an international political and business adviser and president of the Triangle Group of companies.

Edinburgh International Festival

Allan Ramsay's strikingly informal portrait of Mary Adam, mother of architect Robert

Upwardly mobile duo

Patricia Morison visits exhibitions on the works of Robert Adam and Allan Ramsay

THIS summer, Edinburgh commemorates two Scottish geniuses of the 18th Century: Robert Adam, who set out to be the greatest architect of his age and arguably achieved his goal, and the society portraitist Allan Ramsay. Such a monumental egomaniac as Adam would surely be pained to find that the bicentenary of his death is being modestly marked by three small exhibitions, only one of which - albeit the best - will travel to London.

A mildly interesting show, *Robert Adam and Scotland*, has been mounted the Scottish Record Office in the dome of the General Register House in Princes Street (until 25 September). This is the most prominent of the city's buildings by "Bob the Roman", as he called himself, and as such is well worth the visit. Nothing like so clear a case can be made for an over-designed and pretentious photographic show at the Royal Incorporation of Architects in Scotland (until September 17).

Which leaves *Monumental Reputation: Robert Adam and the Emperor's Palace* (details below). This is a jewel of an exhibition. Admirably focused and put together with intelligence and wit, it is crammed with drawings, books, paintings and memorabilia. Ramsay's portrait of his young friend, Robert Adam, is one highlight, together with intaglio seals depicting Inigo Jones and Palladio which were used by the Adam family. Iain Gordon Brown's accompanying book (bargain of the Festival at £3.50) paints an unforgettable picture of Adam's genius for self-promotion.

Residing in Rome on his Grand Tour, in 1757 Adam decided to produce an expensive archaeological book of the kind much in vogue. Emperor Diocletian's 3rd-Century palace in present-day Croatia, offered an exotic yet cheap location. The show's centrepiece is a vast model loaned from a Roman museum, and a helpful slide-show explains the influence of the palace on Adam's subsequent work.

Edward Gibbon was right: elegance did triumph over accuracy. Adam was also guilty of presenting the book as all his own work when in reality it was a team-effort. However, examination of the set of proof plates recently bought by the Library has shown that Charles-Louis Clérisseau, Adam's long-suffering assistant, managed to smuggle his name on to a sarcophagus.

Since the 1950s, Ramsay has been reinstated to first rank of British 18th-Century artists. Nearly a 100 paintings and drawings, many still in private collections, makes *Allan Ramsay, 1713-84*, a dauntingly large show. It will migrate from the Scottish National Portrait Gallery to London this winter.

"Mumpy" (Scots for grumpy) was Adam's nickname for Allan Ramsay, his friend during their time together in Rome. Not that Ramsay had much to grumble about. In six months before departing on this second Grand Tour, he had produced no less than 40 portraits. He became court painter to George III, albeit challenged latterly by Cotes and Zoffany.

The fashionable world flocked to Ramsay as a portraitist abreast of the latest trends in Continental painting, especially French portraiture. He was notably good at graceful images of even plain women, Qeen Charlotte being a case in point. As Walpole observed, Ramsay was "all delicacy" compared with Reynolds's boldness and tempestuous colouring.

It is a fair comment, and the effect of so many half-length society ladies in pink, white, and sky-blue, is rather cloying. Against them can be set Ramsay's most famous portraits, the informal images of Rousseau in Armenian costume, David Hume, Adam's second wife, Margaret, and his own black-jowled self-portrait.

The semi-eclipse of his reputation came about partly because many paintings remained inaccessible in palaces and country houses. Partly, too, it was because he gave up painting in 1773 after he fell off a ladder and broke his arm while demonstrating how easy it would be to get out of the house if there was a fire.

The last decade of his life was spent enjoying his substantial earnings and writing essays. Ramsay was no mean intellectual and wrote on architecture, poetry, politics, and foreign policy – a hawk, he urged a war of annihilation against the Americans.

That Ramsay can now be seen in the round is due to the researches of Professor Alastair Smart, also responsible for this memorable exhibition. His book, *Allan Ramsay, Painter, Essayist and Man of the Enlightenment* (Yale University Press, 316pp, £45) is a well-written, fascinating study which brings Ramsay's world vividly to life. The quality of the colour plates does him no favours.

In the exhibition, Professor Smart's long and impassioned advocacy of Ramsay is reflected in labels bossily insistent on the paintings' merits. More could have been said about Ramsay's workshop, influences, technique and, crucially, what he meant by "the natural portrait".

But these are quibbles about what is a rewarding exhibition, the more so if you can catch it on home ground, almost in sight of Ramsay's famous "Goose-Pie" house and his property developments up on Castle Hill. Cut-throat though the competition was, here is the proof that rewards were high for the upwardly mobile Scottish genius.

Monumental Reputation: sponsored by Glenmorangie Distillery. At National Library of Scotland to 30 September.
Allan Ramsay: sponsored by Mobil. At Scottish National Portrait Gallery to 27 September, opens at National Portrait Gallery, London, 16 October

Schoenberg's Moses und Aron

EDINBURGH has a new festival director, Brian McMaster, previously boss of Welsh National Opera. On the musical side the programme (though perhaps lighter on fully-staged operas than it may be in future) displays to impressive effect the patterns of his finely imaginative artistic needlework in its properly festive blending of the popular and the recherché. Tchaikovsky is the main focus of the programme – a particularly fruitful subject, since in his work-list there are copious amounts of both kinds to make up a rich and satisfying festival mixture.

But the opening concert, at the Usher Hall on Sunday (broadcast live on Radio 3), was a McMaster salvo of a different sort: a concert performance of Schoenberg's *Moses und Aron*, given by the BBC Scottish Symphony Orchestra, the Edinburgh Festival Chorus and a superbly well-chosen selection of principals (including such notable young talents in smaller roles as Rebecca Evans, Paul Charles Clarke and Alastair Miles) under Richard Armstrong.

In place of the big choral splash-pieces that past years have produced, the choice seemed intended to "make a statement" and, at the same time, to make a case for this craggy, thorny masterpiece as a musical drama so utterly forceful and gripping that a packed Usher Hall might be absorbed in it without a murmur. That was triumphantly the case on Sunday: everything in the performance seemed geared to seizing the audience with main (though never excessive) force and thrusting them into the burning centre of its argument.

The Word is its subject – the eternal, and eternally topical, struggle at the heart of the *comédie humaine* between abstract ideas and the "approachable" images into which those ideas must almost always be turned for mass consumption. The word, its audibility, sense and purpose, was certainly at the heart of this performance: I have never before heard a *Moses und Aron* so intelligible and, therefore, so meaningful.

It was sung in Allen Forte's English translation (as Schoenberg, a believer in artistic communication in the language of the audience, would have wished). The utterance of the large chorus, which must mingle passages of speech, song, and the Schoenbergian *Sprechgesang* in between, indicates long weeks of the most concentrated and purposeful preparation: whether in fine-brush murmurs or full-throated cries the delivery possessed the authority of fiercest conviction.

Likewise, the orchestra, though lacking weight of string tone, really grasped the purpose and direction of their notes and lines. It is one of the paradoxes that makes *Moses und Aron* a living, breathing work of art, not just a vehicle for artistic debate, that the score's sound-world should be at once so expressively denuded and so graphically suggestive. Armstrong, who has conducted outstanding performances of *Salome* and *Elektra* in the theatre, caught the Strauss post-echoes in the Golden Calf orgy without ever underlining them. His mature, balanced approach was masterly.

As Aaron the veteran American Heldentenor William Cochran used all his long experience to paint a rounded, many-sided portrait of sweet reason and silver-tongued articulacy - high-register phrases were not exactly suave, but the style dictating their shape was excellently assured. Willard White, making his first approach to Moses, had already learnt (from Shakespeare's Othello and Wagner's Wotan, inter alia) how to alternate thunderously ringing and gravely despairing tones of voice. At the centre of a splendidly *significant* festival achievement he provided an ideally commanding point of focus.

Max Loppert

The concert was sponsored by Scottish & Newcastle plc

Twilight of the Wagner family?

Andrew Clark considers the future role, if any, of the Wagner family in running the Bayreuth Festival, and details the squabble over the succession to Wolfgang Wagner as director

IS THERE a future for the Wagner family at Bayreuth? An improbable question, you might say, considering the two have been synomymous for more than a century. But while the composer himself is always likely to remain the centrepiece of the festival he founded, the role to be played by his descendants is suddenly being called into question.

The German press this summer has given extensive coverage to a series of personal attacks on Wolfgang Wagner – long-established festival director and grandson of the composer – emanating from the next generation of the family, none of whom Wolfgang has allowed to work at the Festspielhaus.

Rifts and quarrels within the Wagner family are nothing new, and discussion about a successor to Wolfgang – who turns 73 at the end of this month – has been simmering for some years. But this is the first time younger members of the family have launched a concerted public campaign against Wolfgang and his style of management. They feel shut out.

Wolfgang is portrayed as a greedy old tyrant under whom the festival has lost its creative energy and fallen prey to commercial pressures. The implication is that it is time he made way for new blood. Several of the composer's 12 great-grandchildren are nearing 50. They are becoming impatient.

Wolfgang, who has unwavering support from artists and most of the festival public, says there is no dynastic "right of succession". The family name alone is no longer sufficient qualification to manage a large and complex operation such as the Bayreuth Festival. Members of the next generation must prove their ability elsewhere first – something he believes they have failed to do.

Wolfgang says: "And "To bring in as a colleague anyone who so vehemently criticises me and my work would poison the atmosphere for all who work here."

Bayreuth-watchers say it is increasingly likely that when Wolfgang goes, someone from outside the family will take over. When Wolfgang and his elder brother Wieland resurrected the festival from its post-war ruins in 1951, they made a clean break with its Nazi past. Wieland was the artistic genius, but Wolfgang's practical management skills ensured that the festival had the wherewithal to thrive.

Since Wieland's premature death in 1966, Wolfgang has run the festival single-handed, opening it to a broad range of nationalities and styles, laying the groundwork for its long-term survival.

In 1973 he and his mother Winifred established the Richard Wagner Foundation – consisting largely of representatives of public funding bodies – with the aim of preserving the festival's independence and protecting it from family infighting. All festival property now belongs to the foundation, in which the Wagner family has a minority vote.

Under the rules of the foundation, when the post of festival director falls vacant, a successor must first be sought from within the family. If the family cannot agree by majority decision on a candidate within four months, or if "other more suitable candidates should present themselves", the foundation will consult a three-member commission chosen from the general administrators of the six main German-language opera houses.

Whoever is appointed (probably on a fixed-term contract) will have overall responsibility for the festival, but considerably less power than Wolfgang.

There is no doubt that the festival draws much of its character from the presence of a member of the Wagner family at its centre. Wolfgang is steeped in Bayreuth tradition, he knows his grandfather's works inside out and he has a knack of discovering new talent. His avuncular presence pervades the Festspielhaus at all times. He wants to do all he can to ensure that his life's work is not destroyed by an irresponsible successor.

In private, Wolfgang does not seem bitter towards the next generation: he simply feels they have not grasped what running the festival entails.

Wolf-Siegfried Wagner, Wieland's 49-year old son and a sharp critic of Wolfgang's production style, claims it is his birthright to work at Bayreuth, but has made little headway in his own career as an independent stage director.

His 47-year old sister Nike alleges Wolfgang has barred her from consulting festival archives for a book she is writing on its postwar history, and says Bayreuth should widen its remit to include musical experiments, "ideological debate" and the works of 20th century composers like Schoenberg and Henze.

Gottfried Wagner, Wolfgang's 45-year old son, has accused him of employing Jewish conductors like Daniel Barenboim and James Levine in order to draw a veil over the festival's anti-semitic past.

Banned by his father from entering the Festspielhaus for the past two years, Gottfried gives lectures on Bayreuth's Nazi history, and has been quoted as saying the music of Meyerbeer and other Jews vilified by Wagner should be performed at Bayreuth.

Notable for her silence is Wolfgang's 47-year old daughter Eva, who currently holds a senior management post at the Opéra Bastille in Paris. Members of the festival's Friends Organisation see her as the sole hope for the family succession. But she and her father barely communicate – apparently because of the influence exerted by Wolfgang's 48-year old second wife Gudrun, who arrived as an employee in the press office in the 1960s and now plays a key role in festival administration.

Eva worked in the Festspielhaus when she was younger, but left soon after Wolfgang married Gudrun. "Secretly Wolfgang probably wants Eva to succeed him," observes one Bayreuth insider, "but showing favouritism would create hell at home. Gudrun has never been accepted by the family, they feel usurped by her. She's hard-working and ambitious, and probably fuels his animosity towards them. As long as he reigns, the queen will be queen."

Wolfgang's refusal to do anything to influence the succession means there will be a huge upheaval and power struggle when he goes. The quickest solution would be for the foundation to appoint Eva – who would probably bring in a part-time artistic director (as Winifred Wagner did in the 1930s) and try to ride out family jealousies.

Alternatively, to maintain short-term continuity, the foundation could opt for an uncontroversial outsider to work in harness with Gudrun: with Cosima Wagner and Winifred to look back on, the festival has a history of young wives inheriting the mantle of power. Or the Wagnerian decks could be cleared altogether and the festival put in the hands of an experienced German opera intendant.

But that is pure speculation. Wolfgang is too wily and popular to have anything to fear from the younger generation. He is in good health and is busy supervising production plans for the next two summers. He likes to quote Fafner's words from *The Ring*, "Ich lieg und besitz" (I'll keep what I hold). For the time being, Bayreuth's detractors and the German press are simply enjoying another chapter in the long-running Wagner family soap opera.

Fourth World at Ronnie Scott's

THE discombobulating sounds of Brazil are in residency at Ronnie Scott's club in the shape of husband and wife team Airto Moreira and Flora Purim. It seems a curious choice for the long silly season slot, being far from mainstream and quite unconventional in line-up. As usual, Airto dances behind a flea market stall of hanging percussion, darting from Amazonian shakers to conventional bass drum and cymbal. Flora, fronting the ensemble, warbles in a seductively flat, Latin way.

The group is unusual in that it uses no bass but a powerfully strummed and thrumming electric guitar (Jose Neto) and the various saxophones, flute and keyboards of talented multi-instrumentalist Gary Meek. Daughter Diana Moreira helps out on shakers in the background. The sultry sound which results, however, turns out to be wholly appropriate for steaming August nights.

Moreira and Purim, based in Los Angeles since the late Sixties, are an interesting couple. Both just 50, they came to notice with Miles Davis and later Chick Corea. One of the first Latin "percussionists", to work in a modern jazz context, Moreira along with Nana Vasconcelos, has defined a role for up-front, exotic and often complicated rhythm.

On their first night, the younger Meek and Neto worked hardest at songs which were a mix of new originals and re-workings from Moreira and Purim's time with pianist Chick Corea. As Purim delivered a light Latin vocalise and her partner worked up a froth of rhythm, Meek blasted off from behind the keyboard with swinging soprano or abrasive alto. Neto, meanwhile, tested the tensile strength of strings against cuticles with a series of vigorous Latin riffs. Moreira can do as much with a tambourine as others might with a synthesiser.

Garry Booth

At Ronnie Scott's Club, 47 Frith Street, London W1, (071) 439 0747, to August 29

INTERNATIONAL ARTS GUIDE

■ CHICAGO

RAVINIA FESTIVAL
Tonight's concert by the New York New Music Ensemble includes a new work by Jacob Druckman. Hubbard Street Dance Company tomorrow gives the first of four performances, including two Twyla Tharp choreographies. Sun: Ravinia Festival Orchestra in an evening of Broadway hits. Next week's concerts include Mendelssohn's Elijah and a Rossini concert with Frederica von Stade. Sep 2-5: Martha Graham Dance Company. All concerts are broadcast to the lawn for outdoor listening. Lawn admission is always available (312-728 4642)

■ COLOGNE

Philharmonie 20.00 Alvin Ailey American Dance Theatre. Also tomorrow and Thurs (2801)

■ COPENHAGEN

TIVOLI CONCERT HALL
This week's programme includes a Tivoli Symphony Orchestra concert on Thurs conducted by Jan Krenz, featuring Brahms' Third Symphony and Nielsen's Fourth. Next Mon: Beaux Arts Trio (3315 1012)

■ GENEVA

This summer's music programme at the Cour de l'Hôtel de Ville is built around the theme of dialogue between Europe and Latin America. Tonight's concert by the Geneva Guitar Soloists includes works by Villa-Lobos, Ginastera and Gershwin. Thurs: Dolores Costoyas and Eduardo Eguez guitar duo from Argentina. Fri: Armin Jordan conducts the Orchestra de la Suisse Romande in an all-Haydn programme. Mon: piano recital by Eliane Rodrigues, with works by Franck, Ravel and Villa-Lobos (312 4353)

■ HAMBURG

Robert Stehli conducts the Hamburg Mozart Orchestra in works by Handel, Bach and Mozart on Fri and Sat at the Planetarium (516621). Giuseppe Sinopoli conducts the Dresden Staatskapelle in the Musikhalle on Sat, and Gerd Albrecht conducts the first of four performances of Schumann's Genoveva on Sun (343044). Hamburg State Opera's production of Wolfgang Rihm's chamber opera Jakob Lenz can be seen tonight, tomorrow and Sun at Studio in der Büschstrasse (351721). Kampnagel International Summer Theatre Festival has a wide range of events daily till Sep 5 (351721). Hamburg's annual music festival opens on Aug 30 and takes as its theme the music of Mendelssohn and Giacinto Scelsi (247747)

■ HELSINKI

HELSINKI FESTIVAL
Tonight at 19.30 in Finlandia Hall, Miguel Gomez-Martinez conducts the Orchestra and Chorus of Finnish National Opera in the opening concert of this year's festival, with works by Falla, Klami and Mahler. Tomorrow: concert by Steve Martland Band, plus Schubert piano recital by Grigori Sokolov. Fri: Timo Korhonen, with the Finnish Radio Symphony Orchestra, gives the world premiere of Leo Brouwer's new Guitar Concerto. Sat and Sun: Cleveland Quartet, plus Natalia Gutman recital. The festival runs till Sep 6 (644466)

■ LONDON

Royal Festival Hall 19.30 English National Ballet's tribute to Michel Fokine: Les Sylphides, Le Spectre de la Rose, The Dying Swan and Sheherazade. Repeated tomorrow and Thurs (071-928 8800)
Royal Albert Hall 19.30 Mark Wigglesworth conducts the BBCSO in world premiere of David Sawer's Byrnan Wood, plus works by Rakhmaninov and Shostakovich, with soloist John Tomlinson. Tomorrow: Yuri Bashmet and the Moscow Soloists. Thurs: Tennstedt conducts Wagner. Fri: Christian Zacharias plays Beethoven. Sat: Rostropovich conducts the ECYO. Sun: Berlioz's L'Enfance du Christ (071-823 9998). Tomorrow, Thurs and Fri in Barbican: Academy of St.Martin in the Fields (071-638 8891)

■ NEW YORK

JAZZ
Blue Note Jazz Club and Restaurant This week's guest artist is saxophonist Gato Barbieri, daily till Sun, first set at 21.00. Next Mon: pianist Aydin Esen and septet. Next Tues to Sun: Singer Betty Carter (131 West 3rd St, 475 8592)
Michael's Pub Singer and pianist Jo Thompson begins an engagement here tonight, with shows at 21.15 and 23.15, daily from Tues to Sat. Mondays belong to Woody Allen and his Dixieland colleagues. Closed on Sun (211 East 55th St, 758 2272)

■ SEVILLE EXPO

DANCE/THEATRE
Belgian experimental choregrapher Anne Teresa de Keersmaeker brings her Ballet Rosas company to the Central Theatre on Thurs, Fri and Sat for a show based on five extracts of music by Mozart, with orchestral accompaniment conducted by Philippe Herreweghe. The Palenque has daily performances of popular and traditional Spanish dance and music. After tonight's final performance of Vittorio Gassman's stage adaptation of Moby Dick, the 5,500-seat open-air Auditorium hosts a three-week run of Azabache, a musical of Spanish song by Gerardo Vera, starting on Fri.
MUSIC
Neeme Järvi brings the Gothenburg Symphony Orchestra to the Maestranza Theatre on Sun, with a programme including Sibelius' Second Symphony. James De Priest conducts the Malmo Symphony Orchestra next Tues and Wed, with works by Lars-Erik Larsson, Jan Sandstrom, Rakhmaninov and Shostakovich. The Vienna State Opera and Vienna Philharmonic Orchestra arrive in the first week of September.
● For further information, dial 0034 5 448 0404 from outside Spain, or 902 22192 in Spain.

■ STOCKHOLM

DROTTNINGHOLM
Arnold Ostman conducts the final two performances of Orfeo ed Euridice on Fri and Sun. Ivo Cramer's new ballet Figaro can be seen on Aug 29, Sep 4 and 5, and the festival ends in late September with concert performances of Haydn's Armida and Gluck's Armide (660 8225)
STOCKHOLM PHILHARMONIC
The orchestra gives a final pre-season concert on Thurs, with a programme of Bach, Brahms and Tchaikovsky conducted by Petter Sundkvist. Gennadi Rozhdestvensky opens the new season on Sep 2 (244130)
ROYAL OPERA
The new season opens on Sat with Il barbiere di Siviglia (248240)

■ WASHINGTON

BLUES ALLEY JAZZ
Tonight: Jimmy McGriff (organ). Tomorrow: Saffire – the Uppity Blues Women (vocals, blues). Thurs: Claude Williams (violin) and Keter Betts. Fri to Sun: Maceo Parker and the JB Horns (blues, jazz). Showtimes at 20.00 and 22.00 (1073 Wisconsin Ave, in the alley, 337 4141)

WOLF TRAP
Ray Charles gives tonight's concert at 20.00. Tomorrow: Michael Franks and the Yellow Jackets. Thurs: Wynonna Judd. Fri: Robert Cray Band and the Memphis Horns. Sat: Rikky Skaggs' Pickin Party, with guests including Nashville Bluegrass Band. Sun: Kathy Mattea and the Nitty Gritty Dirt Band. Next Week: Smokey Robinson, the Everly Brothers and Judy Collins (Filene Center at Wolf Trap, 703-218 6500)

THEATRE
● Through the Leaves: Franz Kaver Kroetz's melodrama about the desperate relationship between a woman butcher and her worthless boyfriend, staged as part of Washington's 1992 German cultural festival. Till Sep 6 (Church St Theater 265 3748)

● Phantom of the Opera: an intimate stage adaptation of Gaston Leroux's thriller. Till Sep 30 (Toby's Dinner Theatre, Columbia 301-596 6161)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0630-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0630-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Tuesday August 18 1992

Justice for the Moslems

MR JOHN Major returns to London today, interrupting his holiday for talks with senior cabinet colleagues on the Bosnian crisis. In so doing, he inevitably raises expectations that Britain, as president of the EC, is about to take a more decisive lead in dealing with that crisis. If those expectations were to be disappointed, the prime minister would have been much better advised to stay in Spain.

So far, Britain's main contribution has been to call a new, larger peace conference in London next week, whose main purpose seems to be to dilute the responsibility for failure, allowing the EC to lean on the UN. There is certainly plenty of failure to share responsibility for. The republic of Bosnia-Hercegovina, to which the EC solemnly accorded recognition in April, has all but ceased to exist: its government retains control only of a tiny area of territory around the capital, and a few other isolated pockets. Well over a quarter of its inhabitants have been driven from their homes.

Effectively the republic has been partitioned, with the lion's share of the territory going to the Serbs, who make up only a third of the population but are much more heavily armed, thanks to the support of the rump of the Yugoslav People's Army (JNA) stationed in Bosnia. Aiming to be sole masters of the territory in which they live, they have not scrupled to expel its other inhabitants, most of them Moslems, by the most brutal methods, endowing the vocabulary of war with a new and horrible euphemism: "ethnic cleansing".

The international community needs now to face up to the magnitude of its failure, rather than hair-splitting over the logistics of humanitarian relief. It must consider how far the consequences are reversible, and how far they form an inescapable if unpalatable reality on which any future arrangements must be built.

Unitary state

The most unpalatable but also most inescapable consequence is that the demographic *status quo ante* cannot be restored. Even if all the atrocities had been committed by one side, it would be unrealistic to expect the victims and the perpetrators to live peacefully intermingled in towns and villages as they did before. For a long time to come most Bosnians will feel safe only among members of their own community, whether Moslem, Serb, or Croat. Everyone should have the right to return to his or her home, but many in practice will not do so.

That being so, the Moslems will do themselves no good by continuing to insist on a unitary state. However much they may regret agreeing to the EC's "March 18 principles", under which Bosnia-Hercegovina was to become an independent state with three "constituent units", they must know that is now the only imaginable solution. But what is clearly unacceptable is for the Serbs to retain anything like the proportion of territory they now control, and for the Moslems to be confined to the miserable remnant the government has held on to, or to be exiled permanently from the republic. The offer by the Bosnian Serb leader, Mr Radovan Karadzic, to reduce the territory he holds from the claimed 70 per cent to 64 per cent, is outrageous and insulting.

Significant quantities

While the international community cannot put Bosnia-Hercegovina together again as it was before the war, it can insist that the Moslems be allowed a "constituent unit" roughly proportionate to the size of their community – 43 per cent of the population. Mr Karadzic has been able to seize the territory he now holds in the teeth of international condemnation and in spite of sanctions applied to Serbia, from or through which his supply lines run. Those sanctions should not be relaxed until the Serbs agree to relinquish significant quantities of the territory they control.

So Britain must take the lead in advocating extreme firmness towards Serbia, while giving every possible support to the Moslems in their hour of agony. It may be necessary to send troops to protect them in the enclaves where they are now confined, with the supply lines essential to their survival – and later to help them defend their expanded territorial unit. But above all the Serbs must be kept under maximum international pressure until they agree to negotiate a reasonable territorial and constitutional settlement.

Banking on the impossible

LEWIS Carroll's Red Queen, who made it a rule to believe six impossible things before breakfast, would find herself quite at home in international banking.

She would surely have seized with pleasure on the news that Chile's sovereign debt has now achieved an investment-grade rating. After all, that raises the possibility that in time some of the Latin American debtor nations will be rated more highly than the banks who lent to them – something that would certainly have seemed impossible a few breakfasts ago.

Another newly credible impossibility is a world in which investors and depositors must pick and choose just as discriminatingly among individual Swiss and German banks as they now do between those supervised in more traditionally freewheeling financial centres.

To trace that thought back to its origin, turn to the Red Queen's favourite morning reading, the Bank of England Quarterly Bulletin. The latest edition, published today, contains a study highlighting the remarkably bumpy profits of banks in the most rapidly deregulated financial markets, and the striking difference between the best and worst performers.

In countries with traditionally more regulated and insulated financial sectors, such as Germany and Switzerland, the study says, banks appear to have performed more consistently. "Experience suggests that moving from a regulated cartel-like environment to one in which lending capacity and competition are enhanced opens up more scope for banks' performance to vary according to the quality of management and individual strategies."

Heartily endorsed

That view is one which will be heartily endorsed by the shareholders of many a British or American bank. Shareholders in Germany and Switzerland may in time come to hold similar views, since banking deregulation is now under way in both countries. Ominously, commercial real-estate loans, high but stable in Germany throughout the 1980s, are now starting to rise as a proportion of the banks' total lending. That is just what happened in the US, Japan and the UK in the 1980s – and if the increase proves excessive, German bank shareholders may yet regret the consequences.

Another prospect to please the Red Queen is a banking system which no longer provides the bulk of bank lending to its domestic corporate sector. Between 1980 and 1991, however, the share of total UK bank lending accounted for by foreign banks rose from 26 per cent to 35 per cent. If it continues to grow at the same rate, UK banks will in time find themselves providing only a minority of total domestic lending.

Momentary pause

They may not mind, if they continue to reduce their dependence on interest as a source of profits. Figures in the Bank's study draw attention to another remarkable phenomenon: the speed with which banks have raised their non-interest income in the past decade. Between 1980 and 1991, banks in Britain raised non-interest earnings from 25 per cent of pre-tax income to 43 per cent. In France, the figure rose even more sharply, from 19 per cent in 1980 to 45 per cent in 1990. Last year, banks in the US obtained almost half of their total income – 47 per cent – from non-interest sources, up from 27 per cent in 1980.

Yet the prospect of banks which derive most of their profits from activities other than lending is surely one which merits a momentary pause for thought. The Bank raises its own delicately arched eyebrow: it notes that the benefits from data-processing investment to raise the profitability of non-interest business have so far been modest, and that banks are not alone in pursuing this sort of customer. Investment banks, money-market funds, insurance companies and unit trusts are all spending hard on technology and products, and the banks may not have it all their own way.

The rush into identical markets, with identical products, is part of what got banks into today's mess. In escaping it, managers and shareholders would do well to consider the dangers of creating a similar mess tomorrow. As the Red Queen pointed out: "It's a poor sort of memory that only works backwards."

Du Pont, America's biggest chemicals group, is in the process of a radical restructuring, writes Alan Friedman

Shaken to the core

It is not just Britain's Imperial Chemical Industries that is attempting to reinvent itself.

Recession and the increasingly competitive environment in the world chemicals industry has also caused Du Pont, the biggest US chemicals group, to embark upon the most radical restructuring plan in its 190-year history.

The plan, which involves slashing costs, concentrating on core divisions, expanding European and Asian revenues and disposing of non-core assets, will determine whether Du Pont can stay among the leaders of the international chemicals industry during the 1990s. As the eighth-largest of the Fortune 500 companies in the US, with an annual turnover of nearly $40bn, the restructuring is also a measure of how well US industry is adjusting to the international economic slowdown.

The chemicals sector has been hit hard by recession, both in the US and elsewhere. Profit margins have been squeezed by weak demand, while companies are struggling under a burden of overcapacity and excessive costs. In the US, Du Pont has been badly affected by falling demand from industrial customers, especially in the auto and housing industries.

The common problems facing international chemicals groups have, however, elicited different responses.

In the UK, ICI has announced plans to split off its pharmaceuticals businesses and is engaged in a programme of cost cutting. Similarly, Union Carbide of the US last December set in motion plans to spin off its industrial gases business and create a free-standing company called Praxair. Monsanto, also of the US, raised $1.28bn (£670m) last month by selling its Fisher Controls valves division, which it viewed as a non-core business.

Executives admit in private that until recently there was complacency, even lassitude, among the company's ranks

Du Pont's strategy has been developed by Mr Edgar Woolard, chairman and chief executive since 1989. It aims to reduce fixed costs by $3bn, or 30 per cent of the total, by 1996, across its principal divisions – chemicals, fibres, polymers and energy (a division which is dominated by Conoco, the oil company). The total workforce of 130,000 is likely to be reduced by almost 12 per cent.

To achieve these goals, Du Pont has already announced plans to cut $1bn of overheads from the chemicals businesses by 1994, resulting in the loss of 8,300 full-time staff and 3,200 outside contract workers. A separate plan, announced in December 1991, involves cutting a further $2bn of operating costs across the company, with the estimated elimination of another 7,000 jobs.

Measures to achieve the two other principal prongs of Du Pont's restructuring policy – geographical expansion and a concentration on core businesses – are also being pursued.

Internationally, Du Pont is seeking to almost treble its non-energy European revenues to $15bn by the end of the decade, according to Mr David Williamson, president of European operations.

Mr Woolard acknowledges this is likely to mean "one or more big acquisitions" in Europe during the 1990s. But he declines to comment on the state of Du Pont's talks with Rhône-Poulenc of France, which have been under way for a year and concern a possible venture in titanium dioxide pigments, used for making dyes.

Several steps have already been taken to expand the group's international presence.

- In Asia, Du Pont is investing $240m in a new Taiwan pigments plant, taking the competition into the home market of new and lower cost producers.
- In April this year the group announced it would swap most of its remaining acrylics business for the European nylon holdings of ICI. This would make Du Pont one of the big players in the European fibres business – so big that the European Commission is still examining the implications.

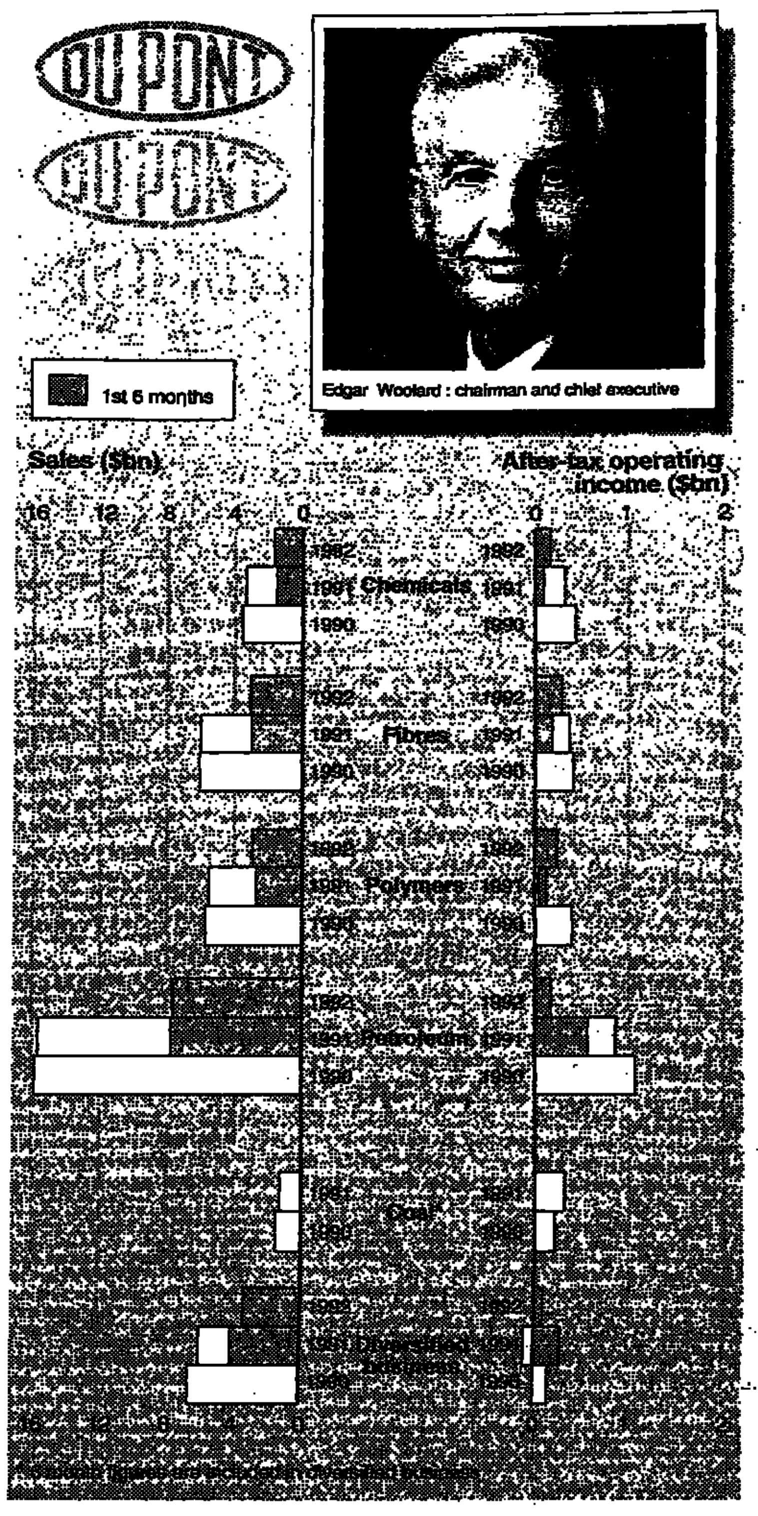
The group has also implemented plans to dispose of non-strategic businesses and increase its concentration on core activities. The most significant moves include:

- A May 1992 decision to invest $1.5bn over the next 10 years to modernise US nylon production facilities.
- An investment of $300m in modernising its US polyester plants, partly in response to a challenge from Nan Ya, a Taiwan-based company that is building a polyester plant in South Carolina.
- An April 1992 decision to sell the connectors business by the end of the year. This makes components for the computer industry, and has annual sales of $450m and 3,000 employees.
- The establishment, in January 1991, of a joint venture between its pharmaceuticals business and Merck, the biggest US drugs company, to form Du Pont Merck Pharmaceutical. Du Pont believed its pharmaceuticals business, which had a turnover of about $500m, was too small and too costly to operate on its own.
- The sale in April 1991, for $1bn, of half of Du Pont's coal business to Rheinbraun of Germany.

More change is in the pipeline. Wall Street observers say it is likely that Du Pont will eventually sell all or part of its imaging division, which makes film, printing and reproduction equipment. This division, which includes electronic imaging equipment and offset plate businesses, lost an estimated $40m last year on $1.25bn of turnover.

Mr Woolard admits that the market for imaging equipment has "absolutely deteriorated" and promises that those parts of the business which cannot be made profitable will be sold.

In addition to the numerous disposals and cost cutting, the company's traditionally stolid management culture is also being shaken up. Executives admit in private that until quite recently there was much complacency, even lassitude, among the company's ranks.



Edgar Woolard: chairman and chief executive

Mr Woolard himself acknowledges that customers were in the past treated in an arrogant manner and that Du Pont was perceived as a lumbering giant. As a result, the chairman and his colleagues have implemented a rigorous assessment of middle management, replacing and removing those believed to be underperforming.

The results of Du Pont's far-reaching restructuring programme will take time to feed through. Even company insiders admit that trying to change course at Du Pont is like trying to alter the direction of a super-tanker. It can be done, but slowly.

Yet Du Pont's latest figures for the first half of 1992 show an improvement in underlying profits, once extraordinary items have been accounted for. In fibres, chemicals and polymers (see accompanying chart) the company's revenues are up only slightly, but profits have benefited from cost cutting. The pharmaceuticals business has also enjoyed a turnround following the joint venture with Merck. Losses of $30m a year have been transformed into profits of a similar size.

The Du Pont plan has been helped by the fact that during the 1980s it halved – to about 20 per cent – the proportion of its non-energy turnover of $22.8bn derived from low-margin bulk chemicals products. The proportion of revenues from such highly competitive and price-driven bulk chemicals is much larger at Dow Chemical and Union Carbide.

The response from Wall Street to Du Pont's restructuring has already been enthusiastic. Du Pont's share price on the Big Board has risen by more than 15 per cent since the start of the year, outpacing the S&P 500 index gain of just 1.3 per cent.

Mr John Garcia, a corporate finance executive at Wertheim Schroder, the New York investment bank, says Mr Woolard "is doing a terrific job". He praises the Du Pont chief for "refocusing the corporate culture, forcing the company to be more market-driven, and tackling the cost structure".

Mr Jeff Cianci, a chemicals analyst at the New York investment firm of Bear Stearns, concurs: "Du Pont historically wanted to be the biggest and the best and would spend the most to get there. They have now transformed themselves into a company that will get there by spending less and spending it more efficiently."

But difficulties lie ahead. The consensus among industry analysts is that the US chemicals business will see only modest growth over the next two or three years. "The major problem," says Mr Woolard, "is that many of our large customers are struggling."

Mr Woolard forcefully rejects the notion – favoured by many on Wall Street – that Conoco should be spun off

In addition, Conoco, the big oil and gas company which is a wholly-owned division of Du Pont, is suffering in line with the US energy industry as a whole. In the second quarter, profits fell by 65 per cent compared with the same period in 1991. This is a particular worry given that the division accounted for about 41 per cent of total group revenues of $38.7bn in 1991.

Mr Woolard forcefully rejects the notion – favoured by many on Wall Street – that Conoco should be spun off. He believes that its strong cash flow is an important advantage. However, in an effort to trim costs the group plans to cut capital spending at Conoco by 20 per cent this year.

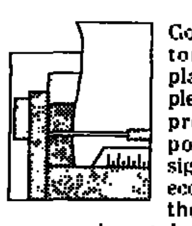
In the current recessionary environment, such a focus on limiting costs and improving margins in core areas is likely to be Du Pont's strategy for the foreseeable future. Mr Woolard and his colleagues will be hoping that having set the course of reform, the direction will be maintained.

As Mr Jeff Cianci of Bear Stearns, concludes: "It takes enormous effort to wake up the dinosaur and change its habits, but once you start the dinosaur moving there is nothing that can stop him."

PERSONAL VIEW

Clintonomics: a clear sense of déjà vu

By Stephen Roach



Governor Bill Clinton's economic plan, Putting People First, is a comprehensive proposal for a significant shift in economic policy in the US. The programme is not lacking in details, nor is it timid. But will it work?

Over the next four years, Clinton has proposed a total of $514bn (£267bn) in changes on the revenue and spending sides of the federal budget, combined. Of that amount, a little more than 40 per cent represents new spending initiatives and slightly less than 60 per cent reflects proposals to boost revenues. Thus, over this four-year period, the revenue enhancers are expected to exceed the cost of new programmes by only $75bn, or a little less than $20bn a year. In a world of outsized budget deficits, this hardly qualifies as a miraculous breakthrough. Indeed, relative to the current estimates of the non-partisan Congressional Budget Office, the Clinton plan would result in only a 7¼ per cent direct reduction of the cumulative budget deficit projected over the 1993 to 1996 period.

At the same time, Clinton's proposal claims that it will "cut the deficit in half" over the next four years. This result rests on the critical premise that the plan will boost economic growth sufficiently to provide a large windfall of incremental revenue. Clinton offers two possible growth paths, each with a set of deficit projections. In the "moderate growth" scenario (presumably about 3 per cent real GDP growth), the deficit is estimated to be $141bn in 1996 – about 25 per cent below current estimates. Only under the "strong growth" scenario (probably 4 to 5 per cent GDP growth) would deficit reduction conform to Clinton's heroic aspirations of cutting the deficit in half; in this case the deficit is estimated to be $76bn in 1996 – 60 per cent below the latest Budget Office estimates.

This arithmetic is troubling. Four years from now, only 22 per cent of Clinton's targeted deficit reduction comes from the plan's direct effects (that is, annual cuts of about $20bn). That means fully 78 per cent of the presumed halving of the federal budget deficit is expected to show up as a fiscal dividend from accelerated economic growth.

Do the strengths of the plan outweigh its weaknesses? Sadly, the answer is probably no

To its credit, there is far more to Clinton's plan than evaluating its fiscal potential. Its most noteworthy attribute is to set a bold agenda for a reordering of economic priorities. There are three broad objectives.

The first involves significant shifts in the mix of federal spending over the next four years – changes that account for a little more than half the total $514bn of proposed policy initiatives. The centrepiece of the new spending initiatives is the Rebuild America Fund – $20bn annually dedicated to infrastructure improvements, a national information network, environmental technologies and defence conversion. This is the controversial aspect of the programme that most closely resembles an "industrial policy" – complete with a new civilian research agency charged with funding support for a list of critical technologies.

Clinton's plan attempts to pay for these initiatives with a detailed schedule of spending reductions – focusing particularly on defence, where outlays have already been slashed. Indeed defence reductions account for about 40 per cent of all spending cuts proposed over the next four years. The balance of the proposed spending reductions runs the gamut from administrative savings and federal employment cuts to the ending of subsidies to honey producers. In short, the plan is not without its fair share of seemingly dubious proposals for trimming spending.

A second objective pertains to income distribution – changes in the tax code that account for about 33 per cent of the entire $514bn four-year package. The plan is quite clear as to who foots the bill. It calls for $22bn in middle-income tax cuts – countered by $92bn in upper-income tax increases and another $58bn in corporate tax rises, with the latter largely attained through closing loopholes on foreign business taxes. All in all, over the next four years, the revenue gained from proposed tax increases is likely to outweigh that lost from tax cuts by a factor of about 6¼ to one. A third objective is human capital enhancement, highlighted by a variety of educational reform proposals.

This summary hardly does the plan full justice. In addition, the Clinton proposal also gives considerable emphasis to a variety of measures directed at the pressing problems of healthcare reform, foreign trade frictions, crime, urban decay and a bloated governmental bureaucracy. While few stones are left unturned, the question is: how does the plan stack up against the macro imperatives facing the US economy?

Its strengths lie in the powerful growth initiatives aimed at capital formation. Incentives for business capital spending are provided by the combination of a targeted investment tax credit, a permanent research and development tax credit, and a capital gains tax cut for small company start-ups. The programme also offers strong incentives for two other neglected areas – infrastructure and human capital. In my view, reversing course after a decade of anaemic capital formation is critical – especially in sustaining the productivity increases essential for improving America's standard of living.

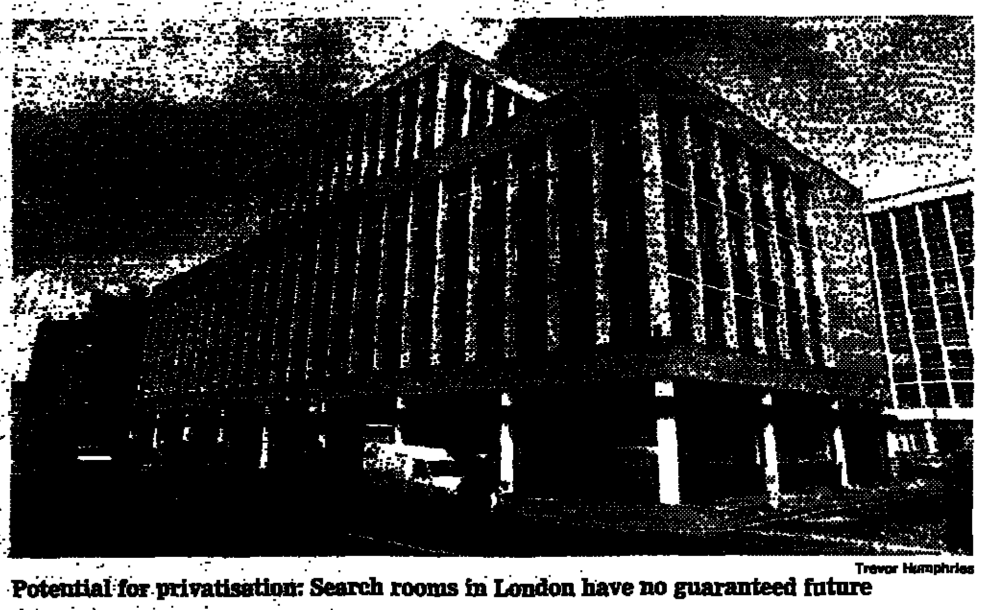
Clinton's proposal, however, is not without its weaknesses. The most glaring is the credibility of the so-called deficit-reduction plan. Certainly, the last thing America needs is an even wider budget deficit. Moreover, the programme fails to provide a more concrete assessment of the great jobs issue of the 1990s. Much is said about creating "millions of high-wage jobs" but little is said about who will do the hiring.

Do the strengths of the plan outweigh its weaknesses? Sadly, the answer is probably no. Despite the programme's appreciation of the imperatives of capital formation and productivity enhancement, the lack of a credible strategy of deficit reduction is most disturbing. The fiscal quagmire of the 1980s was Washington's gravest economic policy blunder of the post-second world war era – sapping the vitality of a savings-short economy through a quantum leap in real interest rates. And yet the rhetoric of deficit reduction under Clintonomics smacks clearly of *déjà vu*. America can ill afford to ignore the painful legacy of the past 12 years – namely, that growth incentives will be forever undermined by a nation struggling against the headwind of high real interest rates. Unfortunately, that is the critical lesson the governor has failed to appreciate.

The author is principal and senior economist at Morgan Stanley & Co, New York

When a review throws the records into a spin

Andrew Jack assesses the options for the future of Companies House, the repository of UK business information



Trevor Humphries

Potential for privatisation: Search rooms in London have no guaranteed future

Mr Michael Heseltine, president of the Board of Trade, will walk into his office one day next spring, and find a consultant's report on his desk. If he agrees with its findings, Companies House — part of his department — could be in private hands by the end of 1993.

Some civil servants are already excited about the prospect. But its own staff and even private sector competitors view privatisation with more ambivalence.

Companies House is the division within the Department of Trade and Industry which registers limited-liability companies and receives their annual accounts and returns. It has powers to bring criminal prosecutions and impose large fines to ensure that all 1m British companies file each year – and that they do so accurately and on time.

It processes the information, stores it on microfiche and makes it available to the public within days. Last year it responded to more than 3m requests for data from users including banks, credit-rating companies, research organisations and individuals.

Last month Mr Heseltine announced a review of "the operation and role" of Companies House. He said it will advise on "how its work can best be carried out in future".

Officials at the DTI have been reluctant to say more, as they prepare a tendering document expected by the end of next month. But the ministerial statement mentioned four options for consideration: full privatisation, partial privatisation, contracting out of some activities, or continuing as at present.

Its statutory roles might make Companies House appear an unlikely candidate for privatisation. But it has been at the vanguard of attempts by Whitehall to increase efficiency over the past decade.

Companies House was the second executive agency to be established under the Next Steps programme in 1988, which gave it considerable managerial and financial autonomy in return for meeting a number of performance targets. These included increasing the proportion of companies filing accounts on time; reducing the time it takes for the public to gain access to the documents; and cutting costs.

Last year it was also made a trading fund, which effectively means it has taken over ownership of its assets from the government, and is paying for them in the form of interest on loans to the Treasury.

Senior staff have wasted no time in putting these new powers to good use, and contracting out is already well in hand. The computer system, security, catering and building maintenance are all in private hands. Even a debt collection agency was hired in June to help collect fines from companies late in filing their accounts.

Companies House has also embraced the market. It holds regular meetings with large users. On payment of a premium, it offers express searches and will deliver documents by courier and by fax. It is about to launch services which will allow customers to call up information on directors or outstanding loans for any company on record.

A detailed invitation for external consultants to bid for the review should be ready by the end of September, with a preliminary report presenting options by early next year. The implementation of its recommendations is expected to be under way by next August.

Mr David Durham, the chief executive, says the review is necessary to remove the uncertainty hovering over the Cardiff headquarters for the past few years.

Given possible future changes in control and ownership of the organisation, he says he cannot offer employees or customers much long-term reassurance. "I can't put my hand on my heart and say that if we are fully privatised we will stay in Cardiff," he says. "I've got no control."

Insecurity over its future helped trigger a one-day strike last month. The action also reflected the prospect of up to 80 redundancies as a result of budget cuts in the face of low demand for its services.

The National Union of Civil and Public Servants (NUCPS) and the Civil and Public Services Association are concerned about their members' jobs. In the past three years, the number of full-time staff has fallen by more than 100 to just over 1,000.

But Mr Kieron Hill, NUCPS regional officer for Wales, also raises a fundamental point which could concern customers: what would happen to the quality of information if Companies House was fragmented as part of the process of privatisation? Demand for the search rooms in London, for example, has declined over the past few years, and Mr Durham admits there can be no guarantee of their survival in the future.

Selling the entire agency to a private operator seems unlikely, although there are precedents

Selling the entire agency to a private operator seems unlikely, although there are precedents. In France, a company called OR Télématique has monopoly control over data input and distribution of all official information on all the country's businesses, on behalf of the state company registration office.

But full privatisation would almost certainly require new legislation. There would have to be safeguards to ensure that companies continued to comply with requirements to register and file accounts; and for the public to have access to this information at affordable rates.

A more likely option is that the clearly statutory services would remain in public hands, while the provision and distribution of some of the information could be handed to the private sector.

The comprehensive collection of annual records held on all British companies since they were created could be tremendously attractive, particularly to credit-rating agencies and companies which specialise in corporate information.

But that raises a fundamental question: how could these facilities be effectively valued? Some of the problems are highlighted in the first corporate-style set of accounts issued by Companies House in July.

The figures show a commitment to repaying loans to the Treasury, which extend over periods between 15 and 25 years. There is also an annual contribution to the DTI of £17m – a sum the government would be reluctant to lose.

The requirement under current legislation that Companies House must hold information on all limited companies would prove costly for a private sector operator. It could not simply select more recent data on larger concerns, which might be most profitable. It would also doubtless come under restrictions on the prices it could charge.

Mr David Clark, managing director of Infocheck, a business information provider and a large user of the services, says: "There are definitely parts of Companies House which are textbook cases for privatisation." But, in this case, he is sceptical whether the textbook is relevant.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Making good news of a dividend cut

From Professor Adam Brandenburger and Dr Ben Polak.

Sir, Paul Marsh ("Why dividend cuts are a last resort", August 12) correctly observes that managers usually have better information than investors, that dividend cuts signal bad news to the market, and that companies try to smooth dividends, avoiding "cuts at (almost) all costs". But the implication that this situation is satisfactory is unwarranted.

Consider a manager who knows his company would be best served by cutting the dividend (instead using the funds for some project) but is worried about the company's share price. If he were to cut the dividend, the market would see this as a signal that the firm was in trouble and the share price would fall.

The market would not be irrational in drawing this conclusion: prevailing "ground rules" imply only distressed companies cut dividends. The manager could try to explain the real reason for the dividend cut, say in the annual report. But this tactic is available to all companies (including ones in distress) and so has little credibility. Thus managers often continue to pay high dividends, even when it is not in the best interests of their companies and shareholders.

This is a vicious circle: as long as only distressed companies lower dividends, the market will treat dividend cuts as bad news, and the resulting low share price will discourage healthy companies from even beneficial cuts.

How do we break this circle and promote more flexible dividend policies? One way would be to encourage managers to be less concerned with today's share price and more concerned with long-term earnings. This could be achieved by long-term contracts and stock options restricting early sale.

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Ben Polak,
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Cambridge, MA 02138, USA.

Guard small investors' access to new issues

From Ms Emma Johnson.

Sir, Your report ("Stock Exchange to relax rules on flotations", August 10) raises a number of worrying points for the private investor.

The situation resembles the mid-1980s when the Exchange altered its placing rules to cater for small companies chafing at the costs of making a new issue via a public offer. Many private investors who had been enthusiastic supporters of small new issues were denied access to placings. They complained that they would become less interested in the new issue market as a result of these changes to the placing rules. Your report has an uncomfortable feeling of *déjà vu.*

It seems that, in current poor market conditions, the private investor is taking the blame for a lack of market demand. When times change, will this be used to cut the private investor off further from the new issue market?

It is unfair to blame the failure of recent new issues on private investors' lack of interest. Private investors did not cause the GPA issue to be withdrawn. Instead, it was lack of institutional interest on both sides of the Atlantic. Can anyone sensibly argue that private investors are wrong to be wary in the current climate?

Recent surveys by Mori for ProShare showed that, in June, 43 per cent of private investors felt it was not a good time to invest in equities; that figure increased to 52 per cent by the end of July. Among the sectors viewed unfavourably were publishing, consumer durables and household goods – sectors in which several recent new issues have failed.

In the longer term, private investors will maintain a worthwhile role in the new issue market – if they are allowed to do so. As a category, they are a source of initial demand, a provider of liquidity and a continuing source of two-way business.

Research shows that new issues play an important role in attracting private investors to the market. Any move which cuts off this form of entry for the private investor, however well-intentioned in the short term, cannot but damage both attempts to ensure wide share ownership and the functioning of the market as a whole.

The Stock Exchange response appears to be a short-term and pragmatic solution to a temporary problem. We hope that this is what it remains. On behalf of private investors, we urge the Exchange to reaffirm its long-term commitment to the offer for sale as the preferred method of marketing new issues.

Emma Johnson,
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and communications,
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Training and obligation do not mix

From Mr Peter Ashby.

Sir, Your Leader on unemployment (August 14) is right in urging the government to "think long-term". But you are wrong in suggesting that entitlement to benefit should be conditional on unemployed adults participating in training schemes open to them.

Our experience has led us to conclude that involvement in skills training should not be obligatory. If the employment service forces people to train, the result is that those who do want to train find their training ruined by those who do not want to be there. Making skills training obligatory will make it low-quality.

While training and obligation do not mix, obligation is right and proper in relation to temporary work. Here our experience suggests that the unemployed would respect an obligatory temporary work programme, since they know how appalling it can be to have no constructive activities outside their homes. They should be offered some choice about the work they do, but work they should.

The government should retain Employment Training as a voluntary programme, and make Employment Action an obligatory temporary work programme for those out of work for more than 12 months.

Peter Ashby,
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London N16 8DL

On a proud Scots note

From Mr Alwyn James.

Sir, The final burning of banknotes at The Royal Bank of Scotland was a cheerful acknowledgement of a colourful tradition.

Yes, Scottish bankers are proud of the innovations they have passed on to their southern counterparts. You modestly reduced these, perhaps in the interests of space, to three. We could have added overdrafts, branches, coloured banknotes, two-sided printing of banknotes and mobile banks – while we wait to see which bank will join us in cross-border European payments, photos on plastic cards and, come December, commemorative banknotes.

Don't begrudge us that true passion of the Scots banker – looking backward with pride and looking forward with imagination.

Alwyn James,
chief press officer,
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Twin tickets

From Mr Solomon Miller

Sir, Jurek Martin ("Fumbling Bush", August 1/2) says US law prohibits a presidential candidate from choosing a running mate resident in the same state as himself. This is not so. The 12th Amendment prohibits electors of a state from voting for a ticket if both candidates are from the electors' state. But electors from other states could vote.

Solomon Miller,
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OBSERVER

Tragedy of the opera

■ When it comes to international soap operas it it hard to beat the goings on at the world's leading opera houses. Whilst everyone is waiting for the final act in Covent Garden's Jeremy Isaacs drama, opera-lovers should not miss an interesting *divertissement* in Paris.

The hero, or villain, depending on one's taste, is Pierre Bergé, alias *Pierre la Panthère*, president of L'Opéra de Paris. He's having a horrible summer. First, a set collapsed killing a member of the chorus and injuring 30 others. Then Philippe Bélaval, his director general, and three of his supporting cast, walked out after firing a highly critical broadside at Bergés management style.

Now the the première of Arthur Honneger's Jeanne au Bûcher, has had to be postponed because 20 of the chorus have still not recovered from the Seville tragedy. As if he did not have enough problems, Bergé, who doubles up as president of the Yves Saint-Laurent fashion house, is also under attack for spending too much money trying to launch the career of his young friend, Robert Merloz, as a fashion designer.

However, Bergés future may still be brighter than that of Jeremy Isaacs. For a start he is the best of friends with Jack Lang, the flamboyant French arts minister. They have even bought a wooden datcha together outside Paris.

Self-destruction

■ Treasury officials were quaking in their pinstripes last night after Teresa Gorman, Tory MP for Billericay and one of the most extravagant self-publicists in the Commons, finally added her voice to the chorus of advice to the government on how best to solve Britain's economic problems.

Mrs Gorman's solution? Fire a Treasury civil servant each time a business goes bankrupt. "The sackings should start at the top," she advises, "At permanent secretary level."

If she started with Terry Burns at 5 o'clock, the guard at the front door would get his marching orders by about 6 and the place would be deserted well before the Tory party conference, on the basis of 1,000 bankruptcies a week.

No doubt the idea will go down well with her supporters in Essex but it hardly suggests that she is ministerial material.

Fresh voice

■ Australia has scored another first over Britain. It has put a woman on the board of its central bank. Janet Holmes à Court, widow of the late tycoon Robert, has been made a member of the Reserve Bank of Australia board along with Lew Solomon, chairman of Coles Myer.

Whilst it is always good to see a woman moving up the ladder, Janet Holmes à Court was not the most obvious female candidate to fill the vacancy. She is reckoned to have done a good job running her late husband's business empire after he died in 1990, but most of her life has been spent worrying about her family rather than big business. Similarly, Lew Solomon's elevation will raise a few eyebrows. It is a bit like putting a financial entrepreneur/retailer, such as Sir James Goldsmith, on the board.

But then perhaps the Bank of England might benefit from the appointment of a few non-establishment figures to its Court. How about Lord Hanson to replace Sir Adrian Cadbury?

Twenty-two years on the Bank's board is long enough for anybody.

"I am the ghost of property values past"

Hand-pik'd

■ When it comes to international institutions, the European Community is probably more important to the South Africans than either the Commonwealth or the United Nations. This helps explain why Neil van Heerden, head of South Africa's diplomatic service, will soon be taking up his post as the country's next ambassador to the community.

A craggy, law and political science graduate, the 53-year-old Van Heerden is one of South Africa's best known career diplomats. He joined the foreign affairs ministry in 1959, and served in Tokyo, Taiwan, Tehran, Washington and Bonn. But he really came to international attention during the Namibian independence negotiations and more recently has been at the heart of South Africa's constitutional talks.

Differences with long-serving foreign minister, Pik Botha, are rumoured to be one of the reasons behind his move to Brussels. However, this need not affect his future; there will be a "place for him in the new South Africa," says the ANC, which is probably more than can be said for his erstwhile boss.

Flushed out

■ One piece of market research which deserves to have the plug pulled on it is the first world loo review from Scott, toilet roll makers to the Queen and her mother. Having talked to 100 users in the UK and on the continent, it proclaims that the UK comes fourth in terms of the world's worst toilets after France, Thailand and Greece.

However, when asked which country had the best toilet facilities, the same sample put the US first, and the UK and Switzerland second equal. Surprisingly, this item of information does not feature in the publicity-seeking press handout.

Painting tale

■ A small gunslinger bursts into a saloon in Dead Man's Gulch and draws his gun.

"I wanna know who painted the tail of my horse yella!" Silence. He draws his other gun, shoots above the head of the cowering crowd, and repeats the question even more menacingly.

Suddenly, the gunslinger is conscious that he is not alone. "Ah did, little man; and what's it to you?" booms a giant of a man, who has crept behind the small gunslinger.

Nervously, the latter holsters both his pistols and turns to depart. "Ah just wanna tell you, the first coat's dry!"

FINANCIAL TIMES
Tuesday August 18 1992

Slovene and Croat leaders back Bosnian president's proposal

Bosnia 'should be UN protectorate'

By Judy Dempsey in London

BOSNIA-HERCEGOVINA should be placed under some form of United Nations protectorate, according to Bosnian President Alija Izetbegovic.

His proposal comes in spite of fears that this could consolidate territorial gains made by Serbs and Croats in the former Yugoslav republic, EC diplomats said yesterday.

Mr Izetbegovic supported the idea of a protectorate – the first time he has done so – during talks in Brussels on Friday with Lord Carrington, chairman of the EC sponsored peace conference on Yugoslavia.

Although the Bosnian government controls only a small part of the republic following land grabs by Serbia and Croatia, Mr Izetbegovic is determined to see a viable Bosnian republic emerge from the conflict within its present borders.

During the talks, President Milan Kucan of Slovenia and President Franjo Tudjman of Croatia also supported plans for placing Bosnia under a protectorate.

An EC diplomat said Mr Kucan supported such an arrangement because it would halt the exodus of refugees to Slovenia, while Mr Tudjman advocated it as a means of offsetting the negative publicity Croatia has gained in supporting its own "land grab" in Bosnia-Hercegovina.

Although Slovene, Croat and Bosnian leaders were vague about the definition of a protectorate, the official said it was clear that "Izetbegovic wants one which will go some way towards reconstituting the Bosnian government, and restoring control over all of Bosnia".

Plans for placing Bosnia-Hercegovina under a UN protectorate were suggested last week by Mr Radovan Karadzic, head of Bosnia's Serbs, and Mr Mate Boban, head of Bosnia's Croats. However, both leaders were seen as advancing their own territorial gains rather than reconstituting the legal status of the Bosnian government.

Western diplomats yesterday stressed that the UN would not be prepared to place Bosnia under any kind of protectorate until a number of conditions were met.

These included a ceasefire, the disarming of all fighters, the removal of heavy weapons and guaranteed rights for all refugees eventually to return to the region. "These conditions will only be realised when all three sides [in Bosnia] are ready to negotiate a political settlement. Maybe we are slowly reaching that stage," a western diplomat said.

An EC official said the Bosnian leader was "more confident, more buoyant" during last week's EC talks in spite of an announcement by Mr Karadzic that he had taken control of 70 per cent of the territory in Bosnia, "more than he wanted".

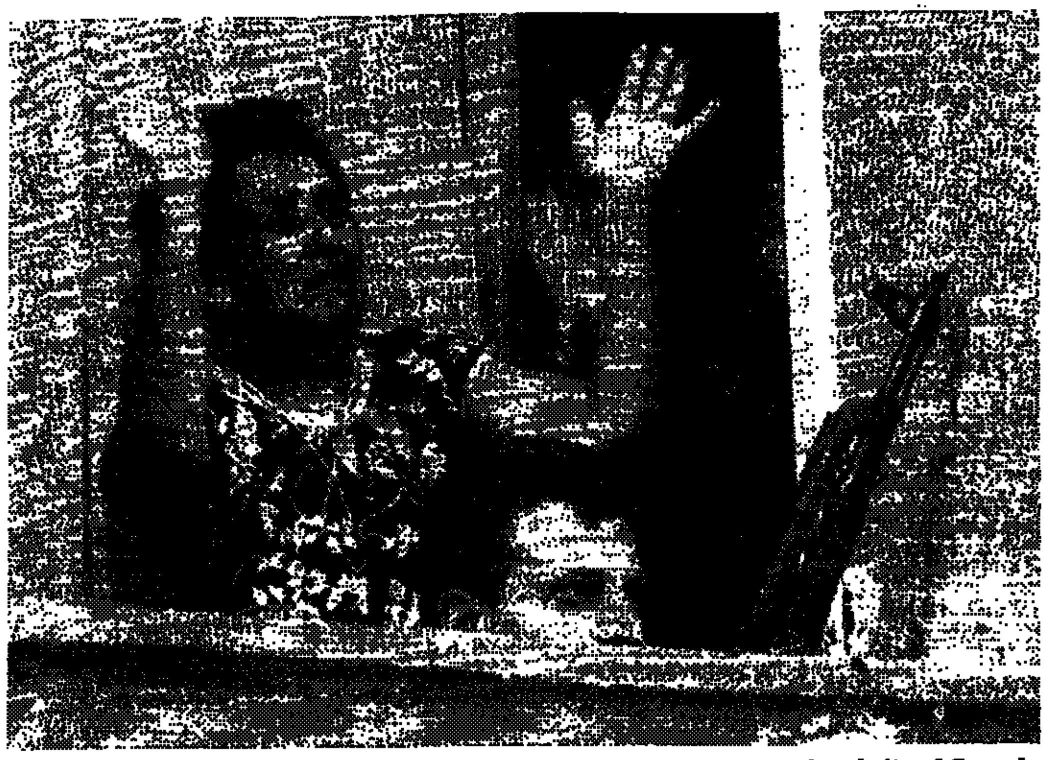
Mr Izetbegovic told Lord Carrington that he questioned Mr Karadzic's claims.

"Izetbegovic told us that Karadzic and the Croats have in fact only gained 55 per cent between them, that the Bosnians are now armed, and that they will soon open up a supply line to Sarajevo, the Bosnian capital," an EC diplomat said.

● A six-storey hotel housing hundreds of refugees was set ablaze in Sarajevo last night after it was hit by mortar fire.

Two people were reported to have been killed and it was feared others might be trapped inside.

At least four people died in earlier mortar attacks on the besieged Bosnian capital.



Welcome relief: An old woman cries as the first UN convoy enters the besieged city of Gorazde

Danish anti-Maastricht feeling grows

By David Marsh
European Editor

DANISH voters, who narrowly rejected the Maastricht treaty two months ago, appear to have grown more resolute in their opposition to European union.

An opinion poll published yesterday indicated that 57 per cent of Danes would now vote against the Maastricht treaty with only 43 per cent in favour. In a June referendum, the electorate rejected Maastricht by 51 to 49 per cent.

The survey in the financial newspaper Borsen also showed strong opposition to a common European currency, with 54 per cent of Danes opposed and only 31 per cent in favour.

The poll underlines the difficulties faced by the EC in its attempt to find a compromise with Denmark this autumn to bring the country back to the mainstream of the Maastricht process.

Even if the French electorate votes in favour of Maastricht in next month's referendum, the treaty will still need backing from Denmark before it can take effect as planned next year.

The latest French polls indicate a narrow majority in favour of the treaty in next month's referendum. But since it will partly be a vote of confidence in President François Mitterrand, the result will be affected by domestic politics.

The Danish government intends to bring out a white paper after the French referendum on September 20 to outline ways of gaining electoral acceptance for the treaty, as demanded by Copenhagen's ratification procedures.

However, Denmark's dilemma is that full-scale renegotiation of the treaty is unacceptable to its EC partners.

The most likely option being examined in Copenhagen is to insert additional pledges against centralisation of EC power. But this would probably not be sufficient to mollify anti-Maastricht Danes.

Denmark's deliberations are of crucial interest to the UK government, which holds the Community presidency.

Even if the French vote in favour next month, Britain will not reintroduce the Maastricht ratification bill to the House of Commons until Denmark has made plausible proposals on how to resubmit the treaty to the Danish electorate. British officials say the bill may be reintroduced in October or November, but could be delayed until the beginning of next year.

British officials said yesterday that the opinion poll emphasised the pressure on the Danish government to come up with an acceptable formula. "It was always very difficult to see how the Danes would change their mind just like that," one British diplomat said.

Yesterday's survey indicated that 47 per cent of Danes would approve a new treaty if commitments to closer European political and military co-operation were omitted, with only 33 per cent opposed.

However, since such a drastic rewriting of the treaty would in effect remove its core, this option is clearly not on offer as a way of pacifying anti-Maastricht feeling.

Mr Uffe Ellemann-Jensen, the Danish foreign minister, has refused to comment on his country's plans for solving the imbroglio until after the French vote.

Spies' private enterprise

Continued from Page 1

gave money, office space and credence to a western investor who turned out to be a fraudster with a criminal record.

The Hungarians are not always the victims, however. At the lobby of the Forum, Budapest's premier business hotel, carpetbagging western property developers met their match.

"There were people sitting there selling things they did not own to people who could not afford to buy them," said Mr Neil Gillon, who works with Mr Mel Simon, the US developer.

The case for the security services checking out investors' credentials is that western banks charge too much to do so. The minister denied, however, that the secret service was undercutting the banks to gain business.

Economic intelligence gathering is a logical activity for Hungary's reformed security service. The National Security Office was formed from the wreckage of III/II, the department of the old communist secret police which dealt with economic counter-espionage.

Many former secret policemen are now on the staff of private security companies, which have grown along with the western joint ventures they protect.

Republican 'big tent' keeps political storm clouds at bay

By Jurek Martin and Matthew Kaminski in Houston

REPUBLICANS were warned that Houston can be inhospitable – not necessarily politically, but climatically.

Thus it seemed a good omen that the convention dawned with, by local standards, balmy weather, dry heat in the mid-80s, and cool nights – perfect for the party going which often seems the main point of any of these quadrennial bashes, regardless of party.

But it is also hurricane season and, as has been endlessly reported, in previous years 10 hurricanes have struck the city between August 17 and 20, the days spanning the convention. The weather service has discovered an ominous tropical depression somewhere out in the Gulf of Mexico.

If it hits, the Republicans could find non-political chaos on their hands. For a start Houston is a city made for motorists, actually made only for motorists, since other forms of public transport are rudimentary.

But it is the constitutional right of every Texan, and most of the south, to drink and drive, which means the parties have not been affected. Not that every party is necessarily overflowing with the demon drink.

Yesterday, for example, the Reverend Pat Robertson, who sought the Republican nomination in 1988, hosted Pat Boone, the 1950s singer turned television evangelist. Dan Quayle and Oliver North at a "God and Country Rally". Garry Wills, the astute observer of American politics, commented: "The crazies are in charge."

More conventional good 'ole country fun is being sponsored by the National Rifle Association ("3,000,000 strong and We vote," say the three billboards that surround the convention site).

The association supports a kind of Wild West ideal rather than, it seems, the violence and urban blight to be found in economically depressed modern Houston.

Also there was Charlton Heston, hero of many an epic, who is now the gun lobby's pitch man, and Randy Travis, the president's favourite country singer, who can be guaranteed to sing what Republicans hope to make the mantra of this convention, "Forever and Ever, Amen".

Still, the Republicans are now, in the words of Lee Atwater, the late Chairman of the Republican National Committee, the big tent, tolerant of all sorts of opinion.

This is why extra-convention dissent has been confined to a vacant dirty lot across the street from the Astrodome – where signs had to be approved before being displayed inside. Towering above them is one of the NRA billboards.

The big tent approach, though, does make for unlikely party bedfellows. It would perhaps be too much to expect the American Israel Political Action Committee (AIPAC) to invite Mr Pat Buchanan, Mr Bush's erstwhile challenger in the presidential primaries, to speak, given his views on Israel.

But the way things are going this year it is within the realm of possibility that Planned Parenthood could invite former Senator Barry Goldwater for lunch. The old conservative war-horse has recently taken to warning President Bush that his adamant opposition to abortion could cost him the election.

After all, it is Mr Bush himself who keeps calling 1992 "this screwy political year".

World Weather

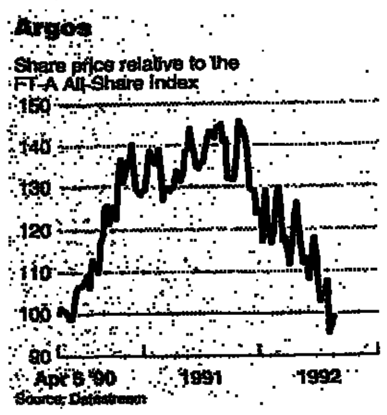
		°C	°F
Ajaccio	S	27	81
Algiers	S	31	88
Amsterdam	S	19	66
Athens	S	31	88
Bahrain	S	39	102
Bangkok	C	33	91
Barcelona	S	27	81
Beijing	F	27	81
Beirut	S	30	86
Belfast	F	16	61
Belgrade	S	29	84
Berlin	R	17	63
Biarritz	C	23	73
Bombay	R	26	79
Bordeaux	S	29	84
Boulogne	C	17	63
Brussels	F	18	64
Budapest	S	27	81
Buenos Aires	F	21	70
Cairo	S	35	95
Cape Town	S	17	63
Caracas	C	28	82
Casablanca †	S	33	91
Chicago †	S	11	52
Cologne	F	17	63
Copenhagen	F	18	64
Corfu	S	33	91
Dallas †	S	18	64
Dublin	F	17	63
Dubrovnik		–	–
Edinburgh	F	16	61
Faro	S	29	84
Florence	S	26	79
Frankfurt	C	20	68
Geneva	S	29	84
Gibraltar	S	25	77
Glasgow	F	16	61
Helsinki	S	18	64
Hong Kong	S	30	86
Innsbruck	S	26	79
Inverness	F	12	54
Islamabad	F	29	84
Istanbul	S	31	88
Jakarta	C	32	90
Johannesburg	S	18	64
Lisbon	S	29	84
London	R	19	66
Los Angeles †	S	21	70
Luxembourg	C	17	63
Madeira	F	23	73
Madrid	S	34	93
Majorca	S	30	86
Malaga	S	29	84
Malta	S	30	86
Manila	R	28	82
Melbourne			
Mexico City	F	22	72
Miami †	S	28	82
Milan	F	28	82
Montreal †	C	18	64
Moscow	F	23	73
Munich	S	26	79
Nairobi	C	21	70
Naples	S	34	93
Nassau	C	34	93
New Delhi			
New York †	C	19	66
Nice	S	26	79
Nicosia	S	29	84
Oporto	S	22	72
Oslo	F	18	64
Paris	S	21	70
Prague	F	25	77
Reykjavik	F	11	52
Rhodes	S	28	82
Rio de Janeiro	C	26	79
Rome	S	29	84
Salzburg	S	26	79
S'Francisco †	C	12	54
Seoul	R	23	73
Singapore	R	26	79
Stockholm	F	18	64
Strasbourg	F	27	81
Sydney		–	–
Taipei	C	32	90
Tangier	S	33	91
Tel Aviv	C	30	86
Tenerife	S	26	79
Tokyo	F	30	86
Toronto †	C	15	59
Tunis	F	31	88
Valencia	S	30	86
Venice	S	27	81
Vienna	S	29	84
Warsaw	S	25	77
Washington †	C	20	68
Zurich	S	26	79

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Mean streets

FT-SE Index: 2376.1 (+19.3)



It may be that tomorrow's official retail sales figures for July will counter some of the latest Confederation of British Industry gloom. But there is little in Argos's results to suggest that life in the high street is getting any easier. Like for like sales at the catalogue retailer are still falling, albeit at a reducing rate, and the company is guarded about its view of trading prospects. With a disciplined company such as Argos having to sweat hard to offset cost increases with productivity gains, the message for weaker stores is clear.

The severity of conditions is underlined by the new, keenly-priced Argos catalogue. While the company hopes to offset low prices by better-targeted marketing, any repeat of last year's pre-Christmas price war could force up advertising costs and cut profits. Losses for the year at the Chesterman furniture retailing operation are likely to be £4.5m – higher than previously expected – and reflect the woes of selling anything to do with housing.

That said, Argos's operations have proved resilient since the demerger from BAT. The company has also retained the good habit of throwing off cash. True, the bullish case that Argos was immune from recession has tarnished, but then the shares have already lost their premium rating to the sector.

The issue now turns on management's strategic grip. Will the plan of expanding from 300 to 500 catalogue stores at the same time as diversifying into furniture retailing generate the profits growth the market wants to see? Market research suggested Chesterman would work, but so far the results have been disappointing. It would help investors believe the overall strategy if management could make a good fist of Chesterman.

British Aerospace

In retrospect it is now clear that the shrewd Mr Raymond Mould sold his property company Arlington Securities to British Aerospace close to the top of the market in July 1989. Yesterday's announcement of his resignation from the BAe board, however, could surely have been better timed. The most convincing reason for the departure is that the Arlington chairman faces an obvious conflict of interest when BAe ultimately decides to sell some or even all of its property subsidiary in line with its long-term strategic objectives. Mr Mould, after all, could be a possible buyer.

Given that such a disposal is assumed to be some way off, why did BAe not wait to tell the world about its board shuffle when it reports interim figures and is free to explain itself properly next month? The market is well aware that BAe has suffered a big cash outflow in the first six months of this year, though the situation is set to improve in the second half. The market has to take it on trust that Mr Mould's resignation – which removes one obstacle to a sale – is not a sign that BAe's problems are worse than supposed.

The truth about the timing may be more prosaic, perhaps related to the prickly relationship which Mr Mould has had with the BAe board. BAe in any case presumably wants to see at least some faint signs of recovery in the property market before putting Arlington on the block, while it has assets to clear out of the cupboard first. Investors, meanwhile, can draw some comfort from the fact that BAe was not the only privatised company to pay through the nose for property expertise: AB Ports and BAA have both had to make major provisions reflecting optimistic values put on Grosvenor Square Properties and Linton.

UK dividends

The Bank of England may be gratified to see the stream of maintained and cut dividends emerging from the interim results season. Its latest bulletin contains a veiled criticism of companies for raising pay-outs last year while profits were falling. One concern for investors must be that this dividend growth was only delivered at the expense of investment in productive capacity.

At 1.7 times, prospective dividend cover for the market as a whole is running well below the long-term average of 2.5 times, and perhaps 10 per cent below the trough of the last recession. Rebuilding cover will probably limit the scope for dividend growth during the upturn. However, a glance down the list of FT-SE companies shows the serious problem to be concentrated in specific sectors. While overall investment by industry fell sharply last year, it still remained respectable by historic standards. This underlines that there is only a direct trade-off between paying a dividend and making an investment where no other form of finance is available.

Yet the market for corporate funding is far from perfect. The Bank is surely right to point out that the longer recovery is delayed, the more likely it becomes that capital equipment will be scrapped. After all, the depressing feature of the interim results season so far is not the level of reported earnings, but some extraordinarily gloomy statements on the trading outlook. The decision to increase dividends last year was a rational response to what looked like a short-term cyclical downturn. But if the market is facing something more serious, this year's decisions will need to be different.

UK housing

The news from the UK housing market is undeniably bleak, and will probably get worse. But it would be rash for investors to conclude that a consumer-led recovery can only happen when residential property prices pick up again. The fact that 1m home owners are trapped in their houses with negative equity is indeed cause for concern – but then the latest official figures are considerably lower than some of the wilder estimates which depressed sentiment in recent weeks. Financial journalists and stockbroking analysts – many of whom followed their own advice to take out big mortgages at the top of the market – do not tend to highlight the 9m householders with their heads above water.

The fear of unemployment may be as big an influence on their behaviour as the prospect of a further shake-out in the property market. It is worth remembering that consumers started spending at the end of the last recession when house prices were falling in real terms.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 18 1992

INSIDE

Mixed fortunes for the US retail sector

Kmart, the US discount retailer, yesterday reported flat profits for the second quarter of 1992, but Toys "R" Us, the New Jersey-based toy retailer, unveiled a 40 per cent improvement in after-tax profits in the same period. The contrast comes towards the end of the retail sector's reporting season, and underlines the extent to which fortunes have been mixed during this period. Page 18

CD-I price cut for US

Philips, the Dutch electronics company, yesterday slashed the US list price of its latest consumer electronics product, compact disc-interactive (CD-I), to $699 from $999, less than a year after launching the first CD-I player in the US. The company said the move was part of plans to double the number of US retail outlets carrying CD-I players to 2,000 in time for Christmas and to start a national advertising campaign. Page 16

History returns at JP Morgan

It has taken almost 60 years, but JP Morgan is on its way to becoming a full-service commercial and investment bank again – a status it enjoyed before the Glass-Steagall Act of 1933 rudely forced US commercial banks to quit the securities business. Page 19

Lacklustre French sales

The sluggish state of the French economy was yesterday highlighted by lacklustre interim sales figures from a number of big industrial groups including Poliet in construction and Roussel-Uclaf in chemicals. Page 16

Burns-Anderson suspended

Shares in Burns-Anderson, the UK recruitment and financial services group formerly chaired by Sir John Harvey-Jones, were suspended at 2p yesterday, pending clarification of its financial position. Burns-Anderson is the holding company for the country's third largest network of independent financial advisers, Burns-Anderson Independent Network. Page 21

Jupiter Tyndall gives ground

Jupiter Tyndall, the fund management group, yesterday conceded temporary defeat in its battle with the board of Pacific Horizon Investment Trust – but the war may not be over. Page 21

A harvest of quality

When times get tough, the two most positive business options are to cut costs and increase receipts. The third, giving up the struggle and getting out of the business, is being chosen by about 100 UK farmers each week. But some have been developing quality assurance schemes. Page 22

Bears out in Singapore

Singapore suffered the most in a generally bearish week for world equities. The fall was triggered by concerns about rights issues, following cash calls from two banks, as well as a general realisation that the economy is slowing down. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko	746	+	11
Degussa	323.1	+	5.1
Siemens	611.4	+	4.9
Falls			
Didier-Werke	135	–	5.5
Linotype-Hell	370	–	10
Porsche	505	–	20

NEW YORK ($)

Rises			
Eljer Inds	10	+	3¼
IBM	89	+	⅝
UAL	109¼	+	2
USAir	13¼	+	½
Falls			
American Health	27¼	–	2⅝
Wang Labs	¾	–	⅞

PARIS (FFr)

Rises			
Havas	482	+	17.8
Roussel-Uclaf	430	+	22
Valeo	755	+	25
Falls			
Bancaire Cie	328	–	9.3
Hachette	116.5	–	3.7
Imm de France	720	–	17

TOKYO (Yen)

Rises			
Central Finance	215	+	35
Chugai Mining	150	+	20
Daiichi Hsng Ln	146	+	20
Nippon Hsng Ln	140	+	22
Falls			
Npn Columbia	316	–	24
Shin Yei Stm	130	–	10

LONDON (Pence)

Rises			
Airtours	227	+	11
Argos	219	+	15
BAT Inds	746	+	23
BM	93	+	9
Glynwed Ind	207	+	8
IMI	237	+	9
Lee (Arthur)	74	+	6
London Intl	199	+	10
Park Food	141	+	8
Persimmon	202	+	12
RMC	484	+	24
Rentokil	154	+	7
Scottish TV	350	+	16
Sharpe Fisher	62	+	9
Shoprite	538	+	22
Siebe	631	+	27
Falls			
Boustead	24	–	6
Colorvision	93	–	11
Conder	6	–	2
Crown Eyeglass	162	–	8
Haemocell	101	–	7
Hartstone	123	–	6
Liberty	488	–	25
Manders	198	–	13
Midland & Scot	17½	–	2

Ercros collapse followed KIO cuts

By Peter Bruce in Madrid

THE KUWAITI government appears to have been directly responsible for triggering the collapse of Spain's biggest chemicals group, Ercros, and a credit crisis at its third largest developer, Prima Inmobiliaria, by cutting short a big transfer of funds for 1992 to the Spanish industrial and property assets of the Kuwait Investment Office (KIO).

A confidential schedule of payments shows that between February 4 and June 2 this year the KIO passed nearly $700m to the Grupo Torras, its Spanish holding company. However, the transfers were not considered as fresh capital by the Kuwaiti authorities and the Finance Ministry, over-riding the Kuwait Investment Authority (KIA, the KIO's governing body) decided they should be stopped or dramatically curtailed.

It is understood that the KIO is increasingly responsible directly to the Finance Minister, Mr Nasser al-Rawdan, who has just published a tough 1993 budget, more than halving the 1992 deficit.

The funds transferred were for a variety of capital and interest payments by Torras and its affiliates.

They included $55m to the Caja Madrid savings bank on February 7, $60m to Barclays Bank on February 11, $300m to Banco Santander on February 28, $68m to Bank of America on March 25 and $100m to Chase Manhattan two days later.

The schedule of payments was agreed at a meeting in Kuwait on January 24 this year between the KIA, KIO, and the former management of Torras, whose interests include large foods, paper and property companies.

This followed a pessimistic report to the KIA last December on the Spanish assets by the KIO's auditors, KPMG Peat Marwick, recommending a $1bn cash injection for Torras.

The schedule reveals for the first time the scale of assistance that was being given to the KIO businesses in Spain before a new KIO president, Mr Ali-Rashaid Al-Bader, was appointed in May.

Since the transfers were interrupted, Spain's biggest chemicals company, Ercros, which is 39 per cent owned by Torras, has gone into receivership and Prima, the property group 33 per cent owned by Torras, has had to negotiate a two-month moratorium on capital repayments to creditor banks.

Change of policy, Page 16

Robert Peston reports on the spread to Britain of the growing US trade in the debt of companies in financial difficulties

Banking on a market for loans

Few companies can be certain who holds their bonds or shares. Trade in these securities is so frequent that companies have difficulties keeping track of their owners. But a company could traditionally be certain of the identity of one source of its funds – its banks.

If a bank or banking syndicate provided a loan, these banks would hold the loan to maturity – that was axiomatic. But not any more, as UK-based advertising group WPP recently found.

WPP has been attempting to reach agreement with its shareholders and lenders on a refinancing plan to tide it over the recession in the advertising industry. Agreement was finally reached on August 6.

However, in the preceding weeks, Mr Martin Sorrell, WPP's chief executive, found that one of his biggest bank lenders, Bank of New York, had sold its $80m share of a WPP loan to 12 financial institutions – at a price of 65 cents in the dollar.

Within days, one of the 12 buyers passed on the loan at a price of 68 cents for a quick profit. The bank loan appeared to be trading like a securitised financial asset.

Three other banks, including the Austrian bank Credit Anstalt, also sold their participation in the WPP loan. In all, around $160m was traded, or 15 per cent of WPP's gross debt.

WPP is one of a handful of UK-based companies whose loans have been traded in this way. Others are Brent Walker, the financially stretched leisure group, Polly Peck, the collapsed international trading company, and the late Mr Robert Maxwell's companies.

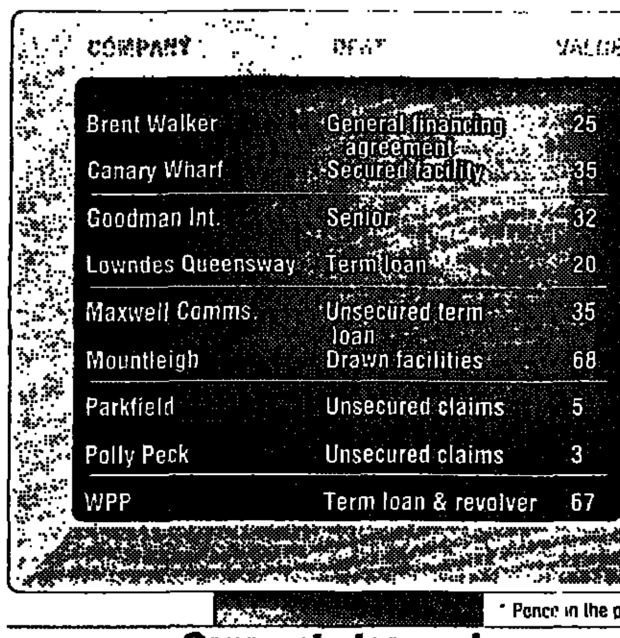
However, in the US a substantial market in "value impaired" corporate loans – or loans to companies in financial difficulties – has developed. Brokers estimate that such loans with a face value of between $100m and $200m are traded every week.

The market in the US has developed over the past two years, as the 1980s boom in bank financing of takeovers and buy-outs has been followed by a glut of companies facing difficulties in servicing their debt.

The development of the market has been a natural successor to the market in loans to less-developed countries, which is now well-established.

Like any market, this one depends on a diversity of views about the value of the assets. If a bank has made a loan to a company which subsequently gets into difficulties, the bank is forced by regulators to make a provision to cover possible losses on the loan.

However, another financial institution – usually a specially created fund rather than a bank – may take the view that the underlying value of the loan is more than that implied by the provision. So this institution may bid more for the loan than the value attributed to it in the bank's accounts.



* Pence in the pound

Corporate loan value

Goldman Sachs, the US investment bank, is one of a handful of brokers – others are Bear Stearns, Oppenheimer, Jefferies and BDS Securities – which dominate the US market.

A parallel market is developing in the UK and Goldman has one executive in London working on such deals. But there have been obstacles to a similar corporate loan market in the UK.

Gary Klesch: selling debt

Bankers say that widespread doubts about the reliability of UK company accounts hinder trade since potential buyers of UK loans cannot easily evaluate the risk attached to the loan.

The big UK clearing banks are also nervous about appearing to give a higher priority to the management of their balance sheets than to maintaining long-standing relationships with clients.

"The thought of doing such a deal has crossed my mind," said Mr Roger Byatt, a senior executive of National Westminster Bank. "But it would be contrary to what we are seeking to do here [build relationships]."

However, Mr Richard Carden, of Barclays, said: "It would not surprise me if a market developed." The Bank of England said it had no strong objection to trading in the loans.

An attempt to create a UK market is being made by a specialist broker, set up last year, called Klesch & Co. It is owned by Mr Gary Klesch, the financier embroiled in a long lawsuit against British & Commonwealth.

Klesch & Co broadcasts the price of more than 60 corporate loans via Telerate, the electronic financial information service. Many of these companies are not in receivership and the stock market attributes a value to their shares – which is curious, because if their bank loans are genuinely worth less than 100p in the pound, equity in these companies should be valueless.

As a result, some companies are unhappy at suggestions that their bank debt has traded at less than par. One is Eurotunnel, builder of the Channel tunnel, which recently said it had no knowledge of any substantial trades in its debt at a discount.

Mr Klesch, whose firm has been quoting a price of 75p in the pound for Eurotunnel, says Eurotunnel would not necessarily be aware of the trading and insists his firm has done "£40m to £50m" of Eurotunnel loan sales.

Selling a loan is not simple. Complex contracts need to be drawn up and there is a gap of at least a month between agreement on a deal and its completion.

During that time, the buyer or the seller may back out. This lack of "immediacy" is reflected in a wide spread between the buying and selling price, the "turn" which goes to the broker. A broker will make at least 1 per cent on the deal and possibly up to 4 per cent – so gross profits on deals can run to millions of pounds.

There is a separate complication to such sales of corporate loans. WPP's original borrowing agreements contain a clause that loans can only be re-assigned with the permission of the company. The clause also says that such agreement will not be "unreasonably withheld".

Mr Sorrell felt it was reasonable to withhold permission for the reassignment of bank loans while he was negotiating the refinancing package. He faced enough difficulties persuading his existing creditors to back the deal without the added complexity of having to persuade a new set of financial institutions.

Although Bank of New York and the others were unable to reassign the loans, they were able to pass on their "sub-participations" in the loans. This is not the contradiction it appears. What it means is Bank of New York was able to pass on its economic interest in the loan by drawing up a complex contract. The risk and reward of holding the WPP loan was passed on to the 12 buyers.

Companies may not like the idea of their bank debt being passed around like shares – but there is probably little they can do to stop it.

Wang's shares continue to fall

By Nikki Tait in New York and Alan Cane in London

SHARES in Wang Laboratories, the ailing US office computer company, fell another $⅞ to $¾ yesterday as speculation grew over the company's future.

Rumours that the company could be poised to file for protection under Chapter 11 of the US Bankruptcy Code have been rumbling for days, following Wang's early payment of its workforce last week and the company's decision to delay announcing its fourth quarter results.

The company's board was understood to be meeting yesterday, but officials were unavailable for comment.

Wang has been seeking new finance for some months. Last year it agreed a deal with International Business Machines, the world's largest computer manufacturer, to distribute IBM's equipment in addition to its own in exchange for funding. However, IBM yesterday declined to comment on reports that it had decided against investing a further $75m on top of $25m put in last year.

Shares in Wang, which has posted after-tax losses totalling more than $1.1bn over the past two years, rallied briefly to $7½ in February but have since declined steadily. Losses in the first nine months of the current year totalled $22.9m.

Wang cut its payroll by almost a quarter a year ago and this May it axed more than 1,000 of the remaining 13,532 jobs – a move expected to result in a $30m fourth-quarter charge.

Wang's debt totalled almost $540m at the end of March – more than 10 times the company's 1991 net worth.

If the Boston-based manufacturer opts for Chapter 11, it will be the most dramatic victim of the malaise in the global computer industry.

Less than a decade ago, Wang was a force to be reckoned with; tipped to succeed Digital Equipment as the world's second-largest computer maker.

Its expertise in office systems, especially word processing, and the quality of its products were universally acknowledged.

In spite of its record as an innovator it failed to move quickly enough to exploit either personal computers or industry standard (open) systems. It was further handicapped by management weaknesses and the death two years ago of founder Dr An Wang.

Head of BAe property arm resigns from the main board

By Vanessa Houlder, Property Correspondent

THE head of British Aerospace's property arm has resigned from its main board, clearing the way for the subsidiary's eventual disposal.

In a brief statement to the London Stock Exchange, British Aerospace said Mr Raymond Mould, chairman of its property subsidiary Arlington, had resigned "in order to concentrate on his role at the head of Arlington". A spokesman for Arlington said Mr Mould had resigned to prevent a conflict of interest during negotiations over the company's future.

Mr Mould's resignation from the main board coincided with the expiry of his three-year service contract, which he agreed at the time of BAe's takeover of Arlington in 1989. The Arlington directors' contracts, which expired on Sunday, have been rolled over until the end of the year.

Sir Graham Day, then BAe's chairman, announced in May the intention to introduce outside shareholders into Arlington once the property market showed clear signs of improvement.

Mr Humphrey Price, finance director of Arlington, said that the disposal or flotation of a stake in the company was likely to be "several years off". Arlington, including BAe's landbank, was likely to be valued at several hundred million pounds, he said. Mr John Cahill, the former BTR chief executive who has taken over as BAe's chairman, wants to refocus the group on its profitable core military aircraft and Airbus activities. A BAe spokesman said that property was not seen as a core business for BAe, although it would continue to play an important role in the short and medium term.

Arlington was bought for £278m ($530m) to add value to BAe's surplus landbank, which had grown after its acquisitions of Rover and Royal Ordnance. BAe saw Arlington as a valuable source of expertise, since it is widely considered to be the leading developer of business parks in the UK. Arlington, which was bought at the peak of the property market in 1989, incurred a pre-tax loss of £19m in 1990, and in 1991 it incurred a £60m exceptional charge due to a shortfall in the value of assets it had injected into Burwood House Group, a joint venture with Asda, the supermarket group.

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GM puts extra £18m into Lotus

By Kevin Done, Motor Industry Correspondent

GROUP Lotus, the UK sports car maker and automotive engineering consultancy, suffered a pre-tax loss of £14.7m ($28m) last year, as the losses of its car operations more than tripled to £15.8m.

The scale of the losses, revealed yesterday in the company's annual report, has forced General Motors of the US to financially restructure its troubled subsidiary.

GM took over Group Lotus for £22.7m in 1986. During 1991 it has had to pump in £18m to repair the battered Lotus balance sheet including the provision of £11.5m in new equity – in three tranches during the year – with the remainder coming in subordinated debt.

The company has been hit by recession in its two main markets, the UK and the US, but the biggest blow has been the commercial failure of its Lotus Elan sports car.

Two months ago Lotus announced it was ceasing production of the Elan, its main product, less than two-and-a-half years after the car was launched.

Group Lotus losses have grown from £2.1m in 1988 to £4.4m in 1989, £12.7m in 1990 and £14.7m last year on a turnover of only £87.5m. According to the annual report the losses of the car operations jumped from £4.6m in 1990 to £15.8m last year on a turnover of £43.2m.

The cutbacks in the car operations masked the success of the Group Lotus engineering consultancy and vehicle testing operations which increased profits to £5.95m, from £1.56m a year earlier, on a turnover of £44.3m.

The scale of the overall group pre-tax loss was reduced by exceptional profits of £5.5m (of which £3.53m was credited to the profit and loss account) arising from the sale of its Millbrook Land subsidiary for £7.8m in cash. It also took a pension contribution holiday throughout 1991. The exceptional profits were offset by redundancy costs totalling £2.3m.

The withdrawal of the Elan will lead to around 350 redundancies from the company's 507-strong Lotus Cars workforce in Norfolk, England.

In the first six months of this year Lotus car output has dropped by two thirds to 505 from 1,559 in the same period last year. Production in 1991 totalled 2,240 in the whole of 1991.

Impala Platinum cuts dividend on fall in income

IMPALA Platinum does not expect to improve on its 1991-92 annual results in the current financial year and has deferred its UG2 ore body expansion programme for a year, **Reuter reports from Johannesburg.**

"We are husbanding our resources," said Mr Michael McMahon the managing director of the world's second biggest platinum producer, after *reporting a 16.5 per cent* fall in attributable income to R260.3m ($94.3m) in the year ended June 30, 1992, from R311.8m.

A 38 per cent cut in the dividend for the full year to 170 cents reflected the lower profit in the past year and expected depressed conditions in the immediate future, he said.

Mr McMahon said a remarkable turnround in second-half performance, contrary to the company's forecast at the half-way stage, was the result of reduced operating stocks and its programme to control costs and resolve the technical problems at its refinery.

The company deferred its expansion at the UG2 ore body because of weakness in world prices for platinum group metals and a fall in demand. It also had notice from two of its leading customers that they needed less platinum and rhodium in the immediate future.

The company expects world consumption of platinum and rhodium to slightly exceed production in 1992 for the second successive year. But the market would remain vulnerable to overhanging stocks of platinum and rhodium in the short term, and there was good reason for caution on the direction of the prices of platinum group metals until at least mid-1993, Mr McMahon said.

He said supply and demand fundamentals would increasingly support stronger metal prices in the longer term. The total world supply of platinum, excluding stock, was 4.43m ounces in 1992, compared with 4.11m in 1991. Total expected demand was 4.52m ounces in 1992, up from a previous 4.21m.

Mr McMahon said autocatalyst demand was expected to remain fairly impervious to continuing recession in the US. The recently mandated "in-use" *testing of autocatalysts* had resulted in a number of major recalls.

This could well result in *increased minimum loadings* for platinum and rhodium to insure against further recalls by carmakers, he said.

Spanish groups ponder the KIO's change of policy

Peter Bruce looks at how the Kuwaiti investment institution has shocked Madrid's financial world

Bankers in Madrid were puzzled two weeks ago when they were asked by Prima Inmobiliaria, a young property development company 33 per cent owned by the Kuwait Investment Office (KIO), to attend a meeting of creditors.

Representatives of some 60 banks assembled to hear Prima's chairman ask them to agree on a two-month moratorium on repayment of capital. In return, the KIO would lend $35m to Prima to enable it to continue paying interest. The *curious thing about the meeting* was that hardly any debt was due to mature in August and September and that which did only affected a handful of the banks present. Why call the meeting?

The most probable reason was that the once powerful and discreet KIO, under new management since May, wants it that way. KIO's new president, Mr Ali Rashaid Al-Bader, controls assets worth close to $40bn around the world but nothing with quite the public profile as the industrial and property empire his predecessors have built up and managed in Spain since 1984.

Prima has consolidated debt of close to $700m which the KIO has evidently decided not to continue funding until it disposes of a number of assets. This must be heartbreaking for a company caught in a property recession with most of its prime assets still under development.

At least it is still alive. A few weeks earlier, the KIO had refused to continue funding losses at Ercros, Spain's biggest chemicals company, 39 per cent owned by the Grupo Torras, the KIO holding company in Spain. Most of Ercros is now *in receivership.*

Torras's other two large affiliates, the Ebro foods group and the Torraspapel paper operation, are likely to be affected by the KIO's efforts to trim debt and creditor banks are waiting to be called to new meetings.

The events have been a shock. The new KIO management has decided to implement, almost overnight and quite without warning, a radical change of investment policy in Spain.

What was once a long-term commitment to build up the Torras group is being rapidly reduced to little more than a short-term portfolio play, with more than 20,000 Spanish jobs at risk.

Torras is one of the biggest privately owned industrial groups in Spain. It was built up by a flamboyant partnership of Mr Javier de la Rosa, a Catalan financier, and Mr Fouad Jaffar, the KIO's former general manager. As the Spanish economy has foundered, though, so has the group. Mr De la Rosa left on May 26.

The last two months have seen a worsening of the prospects of Torras's assets and share prices. Partly, this is *because new KIO representatives* in Spain, professing their "shock " and "surprise" to Spanish newspapers in unattributable briefings, have been openly critical of Torras's businesses and have begun a legal investigation of the actions of the old management.

However, the surprise and the investigation may be more theatrical than real. The Torras companies were in trouble but documents show that this was well known, certainly to the Kuwait Investment Authority (the KIA, which theoretically controls the KIO), by late last year.

The previous management at the KIO and Torras fought for, and won, agreement in January from the KIA for a $1bn transfer of funds to keep the Spanish group alive. Almost $700m had been channelled into Torras from the KIO between February 4 and June 2, when the new KIO team took over the Torras board. The transfers were interrupted at the behest, it is understood, of the finance ministry.

The KIA agreed to that funding (treating it not as fresh capital but simply replacement funds) after being presented, in December 1991, with a pessi*mistic report on Torras by* KPMG Peat Marwick, the KIO's auditors.

That report flatly states that Torras needed a cash injection of $1bn and says that "overall, Grupo Torras is unlikely in the short term to be able to give the KIO a return on its investment". It also warns that "a forced sale in the current European recessionary climate could result in a significant loss of the investment made by the KIO to date". The new KIO management nevertheless, appears to have decided to make disposals at both Ercros and Prima.

The Peat Marwick report contradicts the impression being sown by the new KIO team that Torras's Spanish management was wayward. "The investments themselves are in large autonomous companies which appear to be managed appropriately," it says, and chides the KIO for not giving the Spaniards enough support.

*"Five Kuwaiti representa*tives are on the board of Grupo Torras. The complete board has not met for over a year and is not directing strategy. The Spanish management of Grupo Torras . . . are currently disil*lusioned since they* have not been given guidance on the policies of Kuwait."

Peat Marwick suggested the KIO should refinance Torras's bank loans to reflect their equity positions. The KIO now appears to be doing this. Torras owns 91 per cent of Torraspapel, 33 per cent of Prima, 39 per cent of Ercros and 40 per cent of Ebro. Peat Marwick, in December, calculated Torras's debt at $963m to banks and a further $501m in outstanding bonds. In November and December this year Torras has to repay loans of $200m each to Bank of America and Credit Suisse.

At the same time as insisting it will only be responsible for debt in proportion to its equity stakes, the KIO has reworked *the 1991 Torras accounts,* substituting market for book values to show a 1991 portfolio loss of about $300m and not a small profit as originally reported. This casts Torras in an even worse light, suggesting it may one day be abandoned.

The fact that most of the debt of Torras and its affiliates is secured against shares in the affiliates has also sharpened interest in the group's immediate future. The La Caixa savings bank and Sumitomo Bank have loans to Torras worth $37m secured against Ercros stock and now that the security is in receivership the loans may have to be repaid quickly. Also Torras guaranteed loans worth nearly $100m to Ercros from Banco Santander, Bankinter and Banco Bilbao Vizcaya, which could increase financial pressure on the Spanish holding company.

Peat Marwick last year accurately predicted 1991 losses of $180m at Ercros and warned then that it was "a major management problem". So bad, in fact, that it valued Ercros at zero in arriving at a valuation of $2.9bn for the Torras assets.

Argos earnings ease on cost of chain start-up

By Maggie Urry in London

INTERIM profits of Argos, the UK catalogue retailer, fell 11.3 per cent to £9.5m ($18.2m) pre-tax, but the group said profits would have risen but for the costs of an experimental chain of furniture shops.

Mr David Donne, chairman, said sales since the second half, starting in mid-June, had shown "a slight improvement and are marginally positive on a comparable basis". He said this may mean the low point in *consumer spending had been* reached.

Mr Mike Smith, chief executive, said it was too early to forecast Christmas trading, when the group makes most of *its profits. The interim dividend* is increased by 4.8 per cent to 2.2p and Argos shares rose 15p to 219p.

Argos, which was demerged from BAT Industries in 1990, said the Chesterman chain of *four furniture shops* lost £2.25m in the first half in pre-opening costs and trading *losses.* Without that both trading and pre-tax profits would have risen. Research suggested low awareness of the stores *among furniture buyers and* an advertising change was planned.

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Repsol registers static profits

By Peter Bruce in Madrid

REPSOL, the Spanish *state-controlled* energy conglomerate, yesterday reported practically static profits for the first half of 1992, an effort it considered "extremely positive" considering the dire straits of some of its larger *rivals in the oil industry.*

Net profits for the first six months, Repsol said, were Pta40.6bn ($4.3bn). The company said it had been able to hold profits steady in spite of *falls of 50* per cent in margins at its oil refining and petrochemicals operations.

This had been helped by a sharp increase in operating profits in Repsol's gas distribution businesses, from Pta7.3bn *in the first six months of last* year to Pta9.3bn; a 102 per cent increase in operating profits in exploration and production to Pta10.2bn; and slow cost growth helped by the loss of some 1,000 *jobs in the first half.*

This should encourage Repsol to continue with a cautious policy of opening itself up to wider share ownership. More than 30 per cent of the group is owned outside of the state and *Repsol recently completed a* very successful convertible bond offering.

Philips slashes CD-I list prices in US

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics company, yesterday slashed the US list price of its latest *consumer electronics product,* compact disc-interactive (CD-I), to $699 from $999, less than a year after launching the first CD-I player in the US.

The company said the move was part of plans to double the number of US retail outlets carrying CD-I players to 2,000 by Christmas and to start a *national advertising campaign.*

Philips declined to say whether it would reduce prices in the UK, where the product was launched in the spring, or in continental Europe, where the players will become available in September.

The company, whose results in the 1992 first half were hit *by price-cutting in its con*sumer electronics unit, said US sales of CD-I were developing "according to expectations".

Kinnevik and Korsnas to merge

By Robert Taylor in Stockholm

KINNEVIK, the Swedish *telecommunications and media group, intends to merge with* Korsnas, the fourth largest pulp and paper company in Sweden to create a new diversified industrial enterprise.

Kinnevik owns 51.5 per cent of Korsnas's voting shares and *44.5 per cent of its equity. An* extraordinary shareholders' meeting will be held on September 7 to approve the merger.

Mr Jan Stenbeck, Kinnevik's chief executive, said the *high market interest rates and* heavy tax burdens facing Korsnas had led to the decision to merge.

French groups turn in lacklustre sales

By Alice Rawsthorn in Paris

THE sluggish state of the French economy was yesterday highlighted by the announcement of lacklustre interim sales figures from a number of big industrial groups including Poliet in construction and Roussel-Uclaf in chemicals.

Poliet mustered a negligible increase in turnover to FFr9.92bn ($1.98bn) for the first *half of 1992, compared* with FFr9.87m during the same period of 1991. Last year's figures were restated to allow for the sale earlier this year of Ciments Français, the cement business, to Italcementi of Italy.

The announcement of static sales from Poliet followed a series of similar disclosures last week from other French construction groups, including Bouygues and Fougerolle, all of which have been affected by the slowdown in the economy and the problems of large European building projects, notably Eurotunnel.

Roussel-Uclaf, a in the chemicals group, reported a modest 3.2 per cent increase in sales to FFr7.3bn in the first half. This means that it just managed to keep sales ahead of inflation, which is now running at an annual rate of 2.9 per cent in France.

Chargeurs, one of France's largest textile groups, saw sales rise more slowly than inflation at 2.65 per cent to FFr5.42bn in the interim period. Textile turnover rose 8.6 per cent to FFr4.15bn.

Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 57/01979/06)

Chairman's statement

The financial year ended 30 June 1992 was a difficult one for the Implats Group. The market prices of the platinum group metals and the principal base metals were significantly lower than in the previous year, reflecting the continuing weakness, if not further decline, of the major western economies, as well as the disruption caused by high levels of metal deliveries by the Commonwealth of Independent States. In addition, during the first half of the year, the Group experienced serious industrial unrest and production problems on the mines and technical difficulties in the platinum metals refinery.

In these circumstances, it is a testimony to the underlying strength of the Group and to the effective response of management, that the decline in attributable income was held to 16,5%. Furthermore, despite the major capital expenditure programme, net borrowings at year end have been contained to R69 million. Although this was a deterioration compared to the previous year, it actually represents a small improvement on the mid-year position, and is in line with previous years' balances.

Nevertheless, in the face of the persistent weakness in the market prices of the major metals, taking cognisance of notices of reduced platinum and rhodium requirements for the immediate future by two of our major customers, and conscious of the need for financial prudence while the outlook for western economies remains so bleak, the Board has decided to defer the expansion programme at its Impala operations for one full year. In consequence, the capital expenditures for Impala in the 1993 financial year will not exceed R250 million (compared to R410 million in 1992), and the targeted production level of 1,29 million ounces will not be reached before 1997.

The reduced total dividend of 170 cents recognises both the lower profit of the past year and the depressed conditions expected in the immediate future. In the absence of higher metal prices, it will be difficult to improve on the 1992 results. Fortunately, the Group is well placed to weather the present circumstances and to profit when the major world economies start to recover.

Mr S P Ellis, the immediate past chairman of Implats and Mr R P Plasket, the founding father of Implats' metallurgy, left the Board during the year. Their valued contribution to the development and guidance of the group over the years is greatly appreciated. I am pleased to welcome Mr S V Kearney, the Consulting Engineer, Operations and Mr T C Netscher, Consulting Engineer, Refineries, to the Board.

B P Gilbertson
Chairman
10 August 1992

Excerpts from the managing director's review

1. Results for the 1992 financial year

Revenue from the sales of platinum and by-products produced by Impala Platinum Limited ("Impala"), at R2,26 billion, was marginally down on last year's performance, but considerably short of the original projections for the year. This shortfall on expectations can be attributed almost equally to price weakness and to production underachievements. A concerted effort to reduce the levels of refined stock necessary to manage the worldwide distribution of our products partly offset the shortfalls, contributing significantly to the gross revenue figures, but directly impacting on the cost of sales, which increased by 21% to R1,67 billion.

As a result, income from the sale and supply of metals fell by 33%, or R291,4 million, to R591,0 million. In line with the accounting policy for capital expenditure introduced last year, R116,5 million was expensed to maintain current capacity (R97,2 million last year), resulting in an operating profit from platinum mining activities of R474,5 million (40% down).

Other income, including net interest received, amounted to R36,5 million(R58,1 million in 1991). Group profit before tax of R511,0 million was therefore 39% lower than the 1991 figure of R843,3 million.

The lower income reduced the provision for lease, royalties and taxation to R98,8 million, approximately one quarter of the amount provided last year. In accordance with the accounting policy on future capital expenditure, a provision of R179,1 million has been made in respect of the tax effect of expenditure on future capacity (R189,1 million in 1991). After allowing for outside shareholders' interests and almost unchanged income from our investment in the platinum interests of the Lonrho Group (R29,9 million), the Group's attributable profit fell by 16,5% to R260,3 million (from R311,8 million).

A total of R294,0 million was spent on future expansion at Impala, of which R117,9 million was appropriated directly from the income statement, leaving a distributable profit of R129,2 million.

In the light of these circumstances, the Directors have decided to reduce the total dividend for the 1992 year to 170 cents per share, compared to 275 cents in 1991 and 250 cents in 1990. Accordingly, a final dividend of 115 cents per share has been declared, payable to members on 1 October 1992.

2. The second half recovery

At the interim stage, the final results were expected to be significantly worse than those presented above. The extent to which management was capable of meeting the challenge of improving the first half results can be seen in the comparison between first and second half income shown in the table below.

Comparative Results	First Half	Second Half	% Change	1992 Financial Year
Turnover (Rm)	1 080,3	1 183,5	+ 9,6	2 263,8
Cost of sales	820,2	852,6	+ 4,0	1 672,8
On-mine operations	643,8	606,0	– 5,9	1 249,8
Refining operations	118,9	116,6	– 1,9	235,5
Selling & other costs	44,0	40,1	– 8,9	84,1
Change in stock	13,5	89,9	+ 565,9	103,4
Profit on metal sales	260,1	330,9	+ 27,2	591,0
Platinum sold (000 ozs)	443	496	+ 12,0	939
Platinum produced (000 ozs)	382	483	+ 26,4	865
Production cost/oz produced (R)	1 997	1 496	– 25,1	1 717

The improvement in the second half came about as a result of the successful reduction in operating stocks and from a co-ordinated programme to control costs and to resolve the technical problems that affected the refinery.

3. Review of operations

With the suspension of operations of Crocodile River Mine (CRM) and Messina, Implats' operational emphasis rests on the performance of Impala's Mines, Mineral Processes and Refineries. In particular, the problems reported in the interim statement at the half year in the areas of industrial unrest and operational performance demand special attention.

The labour unrest

In June last year, wage negotiations were conducted and successfully concluded with those unions at Impala permitted to function in terms of Bophuthatswana labour legislation. In the meantime, approximately 11 000 of our daily paid workers (25% of the total) rejected the recognised union structures and joined the National Union of Mineworkers (NUM), a South African union which was neither registered nor recognised in Bophuthatswana.

When the agreed wage increases were implemented on 1 July 1991, Impala's Rustenburg operations were hit by a series of strikes apparently designed to demonstrate that the increases were not acceptable to the daily paid workers and that the current union and negotiating structure was unrepresentative. As events unfolded over the ensuing weeks, radical and unruly elements in the striking workforce, some with wider political motives and some with more criminal motives, introduced elements of violence, murder, intimidation and arson into the arena.

Discipline and control were firmly re-established by December. A form of negotiating and representative structure emerged that, although it fell somewhat short of the aspirations of employees and the NUM, represented the most that could be achieved within the ruling labour legislation. A weariness with the terror and violence associated with the more political objectives of the unrest gradually made the issues between workers and management more work related and a return to an almost normal working environment was evident over the second half of the year.

Approaches by the NUM towards legalising its position in Bophuthatswana hold out hope for progress towards resolving the underlying political problems. In the meantime, the production processes at the mines and the concentrator and smelter are almost back to normal. Most importantly, operational management has developed its capability to contain and manage industrial unrest so that the impact of such disputes on our people and our company can be minimised.

Pending final resolution of the issues surrounding NUM's recognition in Bophuthatswana, a series of independently monitored elections has resulted in a credible and acceptable Council of Worker Representatives emerging on our mines. This body successfully and peacefully negotiated the June 1992 wage settlement at an average increase of 13,5%. While this is high by the standards of the gold mining industry, our wage structure is in line with the platinum mining industry. The settlement included extension of the concept of living-out allowances to all workers so as to encourage home ownership as well as the introduction of maternity leave for the approximately 500 women employed in the daily paid ranks.

Mining and mineral processing

During the year Impala milled 2,4 million tons less than it had expected. Of this shortfall, about half was due to the industrial unrest while the rest was due to technical difficulties. The major technical problems were extensive potholing on the UG2 horizon at No 2A shaft on Wildebeestfontein North as well as lower than expected extraction rates at No 11 shaft on Bafokeng South. A comprehensive review of the mine planning process is now complete and a much higher level of confidence can be ascribed to the total mine production forecasts. This has resulted in a successful programme, put into place in January 1992, to ensure second half mining production targets were met.

Better mine planning as well as the more detailed understanding of the ore-reserve picture has also made possible a substantial reduction in the rate of expenditure at the No 14 shaft complex which is designed as an ore-reserve replacement project. This reduction was achieved without altering the planned build up in tonnage from that area. Expenditure in 1992 on this project was R58,6 million and for 1993 is expected to be R25,0 million.

Similarly, it has also been found possible to delay shaft sinking operations at the No 15 shaft. This delay will allow us to evaluate potentially more capital efficient and rapid methods of accessing the Deeps by means of chairlift, conveyor and material declines.

The reduction of capital expenditures at No 14 and No 15 shafts will have a significant impact on our cash flow expectations over the next three years.

During the year two major projects were successfully completed at Mineral Processes. These were the No 5 furnace in February and the UG2 concentrator in April. Both were completed within budget and are performing to plan.

Further developments can be expected within the mining operations. At present only 30% of the working areas are fully "mechanised" to the extent they are equipped with two scraper winches. The balance is either partially mechanised or hand-lashed. In pursuit of more concentrated mining, higher face advance and lower dilution, your Board has committed the funds and resources to increase the percentage of fully mechanised stopes to 85% over the next 3 years. This is believed to be the maximum achievable in the known ground conditions.

Refineries

As was reported in the interim results, technical problems associated with the construction and commissioning of process improvements caused in-process stocks of platinum to increase by some 50 000 ounces during the first half year. During the second half of the year these problems were resolved and the metal recovered. However, for much of the year, while the new process circuits were being proven, it was necessary to run both old and new circuits in parallel. This significantly affected refining costs for the year. The old circuits are now being closed down.

The process improvements were installed to reduce in-process platinum stocks and to enhance rhodium recoveries. To reduce the operational load on the refinery while construction work was in progress and to avoid the complications of contamination of the new circuits, difficult residues and a proportion of the ongoing production are being toll refined in Europe. The higher rhodium recoveries from this material have added significantly to the company's performance over the last 18 months.

The improvement in mine production from April was too late to report to refined output this year but should provide a positive start to the 1993 financial year.

4. Sales and revenues

Impala sells almost all its production on long-term contracts. As announced in the interim results, some 70 000 ounces of platinum was either purchased or leased from the market to meet these long-term obligations. A further 50 000 ounces had to be sourced in January. A reduction in planned metal off-take early in this calendar year by two major customers, together with improved production, made further purchases unnecessary. Despite the reduction, which appears to be due to shifts in market share to other consumers, Implats has had little difficulty placing metal. By the end of June, improved output from the refinery allowed all remaining leases to be closed out.

Despite destocking, sales volumes for all the important products, with the exception of rhodium, were lower in the 1992 financial year. Moreover, prices of all the important metals declined during the year, although this was partly offset by the slightly weaker exchange rate.

5. Supply and demand

Two events have had a strong impact on world pgm markets. The first occurred approximately 18 months ago when large volumes of platinum were moved into Switzerland and Japan by the former USSR. This action and the gradual release of "collateral metal" in Switzerland dramatically softened the price of platinum.

Secondly, consumers of rhodium concluded mid-way through this year that a combination of technological advances in the area of rhodium thrifting in autocatalysts and greater and more reliable supplies of rhodium from southern Africa meant that earlier fears of a potential rhodium shortage were groundless. As a result, there appears to have been a considerable destocking of rhodium hoards into the Japanese market in an attempt to reduce inventory costs. This resulted in weak rhodium prices.

The effects of the extended recession in the USA were offset to some extent by strong demand based on the increased autocatalyst loadings necessary to meet ever more stringent environmental standards. Japanese jewellery demand also proved to be extremely resilient. Primary supply and demand fundamentals (the relationship between metal produced and consumed, excluding stock movements) came slightly into deficit for the 1991 calendar year.

For the 1992 calendar year, we expect that the market will show a similar small shortfall. In the short term, the market will remain vulnerable to the overhanging stocks of platinum and rhodium. However, all indications are that the bulk of these stocks will move into strong hands over the next year, principally as the result of the higher working stocks required by the autocatalyst industry as part of the 1 January 1993 European Community deadline for compulsory fitment of autocatalysts.

Autocatalyst demand is expected to remain fairly impervious to the continuing American recession since the recently mandated "in-use" testing of autocatalysts has already resulted in a number of major recalls. This may very well result in an increase of minimum loadings for both platinum and rhodium so as to "insure" against further such recalls for the automobile companies.

Looking further ahead to the 1993 calendar year, we must be aware that the world economic recession may be protracted beyond our expectations and may yet spread to Japan. In this scenario, platinum and rhodium demand may grow more slowly than generally assumed.

In summary, while in the longer term we see the fundamentals for platinum and rhodium becoming increasingly supportive of stronger metal prices, we believe that good reason exists to take a relatively cautious attitude on the direction of pgm prices, at least for the next financial year.

6. Growth and funding

Two years ago, the Implats Group announced its intention to expand its production from approximately 1,1 million ounces per annum to 1,35 million by 1995. Since that decision platinum and rhodium prices have remained well below anticipated levels and may take some time to recover. In these circumstances, it has been deemed prudent to defer the expansionary capital programmes for one full year. This will primarily affect the UG2 plant expansion at Impala and much of the related underground mine development that would have been required to bring the additional UG2 stopes to production. The Board's decision will relieve Impala of the need to resort to equity or debt financing for its basic expansion programme.

7. Lonrho's platinum interests

I am aware of speculation that a greater equity stake for the Group in Western Platinum and Eastern Platinum is in the offing. Such speculation is unwarranted and the status quo of our 27% shareholding, with its pre-emptive rights, remains.

8. Human relations

A definitive programme to achieve 80% literacy among our employees by the year 2000 is underway. With this objective in mind, a project to provide 23 new classrooms, employ an additional 13 full-time and 15 part-time teachers, as well as to expand our current capacity of 700 students to 2300 students per annum, is in progress.

The company is participating in the development of a new township in the Wildebeestfontein area where the intention is to support the building and purchasing by our employees of some 1500 houses in the next two years. Coupled with investigative and support work in the area of local "site and service" developments, the intention is to enable the majority of our employees to live with their families by the year 2000.

9. Safety

During the year, all four mines once again achieved a million fatality-free shifts. Wildebeestfontein North established a new industry record for underground fatality-free shifts of 4 153 730, while Mineral Processes became a triple millionaire, not having had a fatal accident since October 1987 until one occurred in March 1992. Nevertheless, the regrettable fact remains that 14 people died as a result of accidents at our mines and plants, an increase of 1 over last year.

A much larger upward trend in reportable accidents also emerged in the year, with the rate per 1000 workers per annum rising from 262 to 508. While some of this trend can be attributed to poor morale, tiredness and lack of concentration during the unrest periods, particular problem areas have been identified and corrective actions initiated.

Refineries retained their NOSA five star grading for the eighth consecutive year, completing the year without a fatal accident for the fifth successive year.

10. Prospects

While the short-term prospects for metal prices are subdued, in the medium to long-term, fundamentals continue to move in platinum's favour. The test for the company will be to manage the intervening period in a time of political uncertainty and inflationary pressures. Much has been learnt in the past year and the current management is well tested in its abilities to control the operations while real progress has been made in improving technical and financial performance.

Assuming orderly constitutional development and relatively trouble-free industrial relations, 1993 is nevertheless expected to be a difficult year for the Group as we wait for the expected price recoveries. Without a significant improvement in prices, the Directors do not anticipate better results for the coming year.

J M McMahon
Managing Director
10 August 1992

Audited results for the year ended 30 June 1992

Consolidated Income Statement (Rm)	1992	1991
Turnover	2 263,8	2 269,2
Cost of sales	1 672,8	1 386,8
On-mine operations	1 249,8	1 180,6
Refining operations	235,5	198,5
Selling and other costs	84,1	48,4
Decrease/(increase) in stock	103,4	(40,7)
Income from the supply of metals produced	591,0	882,4
Capital expenditure on current capacity	116,5	97,2
Income from platinum mining operations	474,5	785,2
Other expenditure	3,6	9,7
Net interest received	40,1	67,8
Income before taxation	511,0	843,3
Lease, royalties and tax	98,8	367,5
Effect of expenditure on future capacity	179,1	189,1
Income after taxation	233,1	286,7
Share of net income from associates	29,9	30,0
Outside shareholders' interest	(2,7)	(4,9)
Attributable income	260,3	311,8
Extraordinary item	0,0	130,2
Appropriation for expenditure on future productive capacity	117,9	97,1
Transfer to non-distributable reserves	13,2	10,5
Distributable income	129,2	74,0
Dividend declared	105,7	168,2
Retained income	23,5	(94,2)
Shares in issue (millions)	62,2	61,3
Earnings per share (cents)	418	509
Dividend per share (cents)	170	275

Consolidated Balance Sheet (Rm)	1992	1991
Ordinary shareholders' interest	2 409,0	2 075,3
Outside shareholders' interest	84,6	82,6
Long-term liabilities	224,0	19,0
Deferred tax	27,5	35,9
Capital employed	2 745,1	2 212,8
Fixed assets	2 080,5	1 728,2
Investments	557,8	505,0
Net current assets/(liabilities)	106,8	(20,4)
Assets employed	2 745,1	2 212,8

For and on behalf of the board

B P Gilbertson
Director

J M McMahon
Director

Declaration of final dividend

Declaration of final dividend

A final dividend of 115 cents per share in respect of the year ended 30 June 1992 has been declared payable to members registered in the books of the company on 4 September 1992. The register of members will be closed from 7 to 18 September 1992, inclusive. The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom transfer office will be made net of non-resident shareholders' tax in United Kingdom currency at the rate of exchange ruling on 21 September 1992 or on the first day thereafter on which a rate of exchange is available.

Dividend warrants will be posted on 1 October 1992.

The full conditions of payment may be inspected at the offices of the transfer secretaries of the company.

By order of the board

Implats Consultancy & Management Services (Proprietary) Limited
Secretaries
per

H J Gaylard
Group secretary

Registered Office
3rd Floor Unicorn House
70 Marshall Street
Johannesburg 2001
(P.O. Box 61386
Marshalltown 2107)

Transfer Secretaries

South Africa:
Central Registrars Limited
154 Market Street
Johannesburg 2001
(P.O. Box 4844
Johannesburg 2000)

United Kingdom:
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

14 August 1992

INTERNATIONAL COMPANIES AND FINANCE

Daily News management backs Conrad Black bid

By Karen Zagor in New York

THE STRUGGLE to find a new owner for the Daily News, the New York city tabloid, intensified yesterday as unions, creditors and management continued negotiations ahead of an afternoon bankruptcy court deadline.

In the absence of a consensus among the paper's nine unions, Daily News management voted to accept a bid by Mr Conrad Black, the Canadian publisher who owns The Daily Telegraph of London, as part of its reorganisation plan.

Union officials warned, however, that a deal with Mr Black was essentially meaningless without union backing. And management's agreement with Mr Black calls for acceptable agreements between Mr Black and each union.

Other terms of Mr Black's offer include $75m for all of the Daily News business assets, including $22m for administrative claims and creditors, and the construction of a $200m colour printing plant in New York city. Mr Black would also advance up to $3m in financing to forestall a cash crisis, provided he reaches agreements with at least six of the unions.

The bulk of the unions are believed to favour a competing bid from Mr Mortimer Zuckerman, owner of US News and World Report magazine.

There is also a so-called "stand-alone" plan under which Silver Screen, a group of film financiers, would share ownership with the unions. But the plan would require outside financing to build the new printing plant, which is believed to be critical to the paper's survival.

Bankruptcy court judge Tina Brozman has warned she might impose a reorganisation plan on the cash-strapped paper, including job lay-offs and wage cuts, if the parties fail to agree on a plan to obtain fresh cash.

In spite of the pressing deadline, the paper's nine unions were unable to reach a consensus last week.

The Daily News, which celebrated being rescued by Mr Robert Maxwell early last year, has been operating under protection of Chapter 11 of the US bankruptcy code since shortly after Mr Maxwell's death.

Ms Brozman, who has grown increasingly frustrated with the continued impasse at the Daily News, earlier chastised unions and management for "jeopardising my ability to keep this newspaper alive".

US retailers post mixed results

By Nikki Tait in New York

KMART, the large discount retailer, yesterday reported flat profits for the second quarter of 1992, and a small dip in earnings per share.

But Toys "R" Us, the New Jersey-based toy retailer, unveiled a 40 per cent improvement in after-tax profits in the same three months.

The contrasting results come towards the end of the retail sector's reporting season, and underline the extent to which fortunes have been mixed during this period.

Kmart said that after-tax profits in the three months to July 29 stood at $168m, compared with $163m a year earlier. Total operating income was 3 per cent higher at $342m, but earnings per share slipped from 40 to 37 cents – reflecting the increased share capital following a PERCs offering in August 1991.

Kmart said its general merchandise business was affected by consumer caution and the cool weather – which contrasted with the warm spell a year ago, and depressed clothing and garden sales.

The general merchandise side saw a 2 per cent advance in comparable store sales, and total turnover was $6.46bn ($6.21bn). Operating profits advanced by 5.1 per cent to $$301m.

On the specialty stores side, five of the six chains fared well. However, PACE warehouse clubs suffered from the strains of a rapid expansion plan and lower-than-expected sales growth. Overall, the specialty retail business saw sales of $2.68bn ($2.2bn), and operating profits of $41m ($46m).

Kmart now shows an after-tax profit of $284m in the first six months, against $270m, on sales of $17.4bn ($16bn).

Toys "R" Us, by contrast, reported after-tax profits of $32.7m, up from $23.4m, in the second quarter to August 1.

Sales increased to $1.25bn from $1.06bn a year ago. The company said that US toy stores saw a comparable store sales increase of 6.3 per cent in the quarter, with strong advances in basic categories. The European stores also moved ahead sharply.

The results bring Toys "R" Us sales for the first half to $2.42bn, against $2.08bn a year ago, and after-tax profits to $61m, compared with $45.8m.

Glitter fades from Tiffany earnings

By Nikki Tait

THE SPARKLE has vanished from the latest results at Tiffany, the New York-based jewellery group.

After-tax profits in the three months to end-July were almost halved at $3.89m, compared with $7.23m in the same period a year earlier.

Sales were $120.8m, barely increased on the $119.4m in the same period of 1991.

Tiffany said that US retail sales were static at around $53.6m. Local people kept buying, said the retailer, but there was a decline in sales to tourists visiting the US.

International retail sales also remained flat, with increases in European and Far Eastern stores being offset by a shortfall of wholesale sales in Japan.

On the direct marketing front – that is, business-to-business sales and through the catalogue – there was an 8 per cent sales gain.

Profits for the first half now stand at $6.99m, compared with $11.6m a year earlier (before a one-off accounting change item).

Six month sales were ahead at $228.1m, compared with $216.5m.

Buoyant Wesfarmers advances 77%

By Bruce Jacques in Sydney

WESFARMERS, the diversified West Australian agricultural group, lifted earnings and dividends strongly in the year to June 30 on the back of acquisitions, higher sales and falling costs.

The company posted a 77 per cent net profit rise from A$35.8m (US$25.8m) to A$63.1m in the period. Operating revenues rose by 35 per cent from A$953m to A$1.8bn for the same period.

The annual dividend has been boosted from 14.5 cents to 26 cents a share, lifting the payout from A$26.7m to A$48.5m.

The company benefited from the consolidation of Bunnings, the timber group. It increased its stake in Bunnings from 24.5 per cent to 45 per cent and included an A$11.3m pre-tax earnings contribution from the timber company in its latest results.

The coal business was the biggest pre-tax earnings contributor, with A$62.6m, followed by fertilisers and chemicals with A$48.6m.

The company's interest bill eased from A$35.8m to A$32.6m.

The result also benefited from a big reduction in abnormal losses which dropped from A$24.1m to A$722,000.

St Lawrence Cement suspends dividend

By Robert Gibbens in Montreal

ST LAWRENCE CEMENT, the North American cement manufacturing and construction arm of the Swiss Holderbank group, is suspending quarterly common share dividends until further notice.

The company attributed the move to weak commercial and residential construction markets in eastern Canada and the north-eastern US.

In July it paid a cash dividend of 5 cents on the A shares and a stock dividend equal to 14 cents.

St Lawrence is eastern Canada's largest cement producer and is also a large producer and supplier in the north-eastern US.

In the first half it lost C$19.7m (US$16.5m) or 48 cents a share, against a deficit of C$10.9m or 27 cents a year earlier. Sales dropped 9 per cent to C$179m.

● Hydro-Quebec, a leading borrower in international financial markets, reported net profit of C$432m for the first half, up 10 per cent from a year earlier. Revenues for the period were C$3.5bn, up 12.5 per cent.

Electricity sales by volume rose 7.6 per cent, partly due to a cold winter. In addition exports to the US were higher and domestic rates rose in May.

Operating expenses rose 4.6 per cent. Taxes paid to the shareholder, the Quebec government, were up 52 per cent to C$298m partly because of higher capital taxes.

The 1992 investment programme totalled C$4.6bn, and C$1.7bn was spent in the first half. The year's borrowing programme totalled C$3.7bn, including C$2.5bn raised in the first half.

Chrysler confident of loan extension

By Patrick Harverson in New York

CHRYSLER, the US car manufacturer, remained confident yesterday that negotiations on a crucial $8.6bn multi-bank loan extension for its financial services subsidiary will be completed shortly, despite last-minute delays.

To rollover the credit facility, Chrysler Financial needs the consent of all 152 banks in the lending consortium, but two banks, one US and one German, are reported to have demanded better terms on the loan before approving its renewal.

A spokesman for Chrysler confirmed that although the two banks delaying the deal accounted for only $60m of the $8.6bn financing, if unanimous approval of the loan's renewal was not forthcoming the entire deal would have to be scrapped.

That would require Chrysler renegotiating the terms of the loan with every one of the 152 banks in the consortium.

The spokesman, however, said the company expected to conclude the deal "relatively shortly".

The loan extension is crucial to the Chrysler subsidiary, which provides the financing for many of the carmaker's customers and dealers. Because Chrysler Financial has a junk credit rating, the company has few alternative sources of funding.

Analysts, however, believe the rollover of the loan will be completed successfully.

Mr Scott Merlis of Morgan Stanley pointed out that Chrysler's ability to negotiate an extension on the facility long before its expiration date of April 1993 represented a vote of confidence in the company's future by banks. He said: "It's a major achievement for Chrysler to get so many banks to agree to rollover these loans nine months in advance of expiration."

Banks agree aid for Nippon Housing Loan

By Emiko Terazono in Tokyo

NIPPON Housing Loan, Japan's home loan company, yesterday announced its nine leading creditor banks had agreed to provide financial assistance for its restructuring programme.

Nippon Housing Loan, facing mounting property-related debts, had been in dispute with its creditors who were opposed to the company's requests to reduce the interest rate on its loans.

The nine banks which fund Nippon Housing have now agreed to lower the interest rate to 3.25 per cent, the same as the official discount rate, and maintain their outstanding lending levels.

The banks, including Sakura Bank and Sanwa Bank, have extended Y600bn ($4.75bn) to Nippon Housing Loan, which holds an estimated Y2,300bn in total debt.

Reports of the deal were greeted on the Tokyo stock market with relief, as Nippon Housing Loan's shares, which had plunged on concerns over the financial stability of the company, rose Y22 to Y140.

However, the banks are concerned over the reluctance of Nippon Housing Loan's remaining creditors to co-operate with the company's restructuring. Financial affiliates of agricultural co-operatives lead by Norinchukin Bank have around 40 per cent of loans to Nippon Housing Loan.

Seven Japanese housing loan companies have sought financial assistance from their leading banks.

The companies were set up during the 1960s and 1970s by leading financial institutions to provide property loans for individuals. However, the bulk of the loans and investments, made to riskier resort and property developments in the 1980s, have since turned sour.

The problems at Japanese non-bank financial institutions, including the home loan companies, are expected to put pressure on Japanese banks which have been forced to accept reduced or even no interest payments.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 18.08.92: Pool purchase price £/MWh	Final Prices for trading on 21.07.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.00	20.35	21.69
0100	17.71	20.35	21.69
0130	17.71	20.35	21.70
0200	17.71	19.97	21.30
0230	17.71	20.35	21.70
0300	17.71	20.35	21.70
0330	17.71	20.35	21.70
0400	17.71	20.35	21.70
0430	17.71	20.35	21.70
0500	17.71	19.97	21.30
0530	17.70	17.69	17.69
0600	17.69	17.69	17.69
0630	19.91	17.69	17.69
0700	20.61	22.79	24.26
0730	22.23	22.80	24.22
0800	24.07	25.31	26.79
0830	24.56	26.30	27.77
0900	27.61	28.03	29.54
0930	28.07	28.06	29.51
1000	28.09	28.06	29.50
1030	28.10	28.08	29.52
1100	28.12	28.07	29.50
1130	28.17	28.10	29.63
1200	28.21	28.11	29.64
1230	28.18	28.09	29.52
1300	28.12	28.06	29.49
1330	28.05	28.02	29.45
1400	27.49	26.30	27.70
1430	25.86	25.97	27.35
1500	25.86	25.97	27.35
1530	25.88	25.97	27.35
1600	26.90	25.71	27.08
1630	26.93	28.03	29.47
1700	28.10	28.04	29.47
1730	28.08	28.03	29.46
1800	28.05	28.01	29.47
1830	26.66	26.50	26.90
1900	24.29	25.30	26.71
1930	24.05	25.01	26.42
2000	23.37	24.47	25.89
2030	23.37	24.47	25.91
2100	35.00	23.71	25.13
2130	35.00	28.00	29.47
2200	35.00	28.01	23.47
2230	25.62	30.76	32.18
2300	23.37	30.76	32.19
2330	22.86	22.80	24.20
2400	20.36	21.82	23.20

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Playmates slips to HK$176m at six months

By Simon Holberton in Hong Kong

PLAYMATES, the Hong Kong manufacturer of Teenage Mutant Ninja Turtles toys, yesterday reported a 57 per cent drop in profits to HK$175.5m (US$22.7m) from HK$409m in the six months to June 30.

In what Playmates officials described as a "transition" year for the company, interim sales fell nearly 52 per cent to HK$645.5m from HK$1.33bn last time.

Directors declared a 7 cents interim dividend, up 16 per cent on last year's 6 cents, but well below the total of 18 cents actually paid. Playmates made a special payout a year ago which amounted to 12 cents a share.

In spite of the poor results the company took pains to point out that margins had remained robust – at more than 27 per cent – and new products in the pipeline, together with planned expansion in Europe and possibly the US, would be sources of growth.

Earlier this month Playmates announced it was acquiring 37.5 per cent of Ideal Loisirs, France's leading toymaker, for HK$235m.

Mr Ian Forsyth, the newly appointed chief financial officer, said the company was considering further acquisitions in Europe and in the US. He pointed out that at June 30 the company had no long-term debt and had HK$1.1bn in cash and marketable securities.

"Clearly what is happening is the maturing of the Turtle's lines," Mr Forsyth said. "We have scaled back production – to cut inventories and stocks at the retail level – but we are very confident that sales can be maintained at or above current levels."

He said new lines of Turtles' products and other toys related to television programmes would be introduced. "We see some growth in the second half but the second half is really a transition period," he said.

Analysts said although Playmates was well-managed it was essentially a one product company. Mr Steven Lee, of Jardine Fleming, said: "They continue to search for another hit toy [like the Turtles], but it's tough to repeat that success."

Near-record results for Brazilian mining group

By Bill Hinchberger in Sao Paulo

COMPANHIA Vale do Rio Doce (CVRD), the state-controlled Brazilian mining firm, and the world's leading exporter of iron ore, recorded a profit of $234.7m for the first seven months of this year, nearly equalling the 1991 figure of $251.8m.

Although not yet reflected in the results, the company's most significant move during the period was the signing of a management agreement in June with the government that will allow CVRD to operate more like a private company.

It has been freed of administrative regulations governing state-owned companies, and will operate according to a set of goals negotiated between government officials and company management.

Paranapanema, the world's largest tin exporter and Brazil's largest private mining company, posted profits of $17.5m for the first six months of 1992. Last year, the company lost $30.6m.

The company said more favourable international tin prices were largely responsible for the rebound.

Aracruz Celulose, a leading paper and pulp exporter, registered a slim profit of $3m for the first six months of this year, bouncing back from a loss of $97.1m last year.

Most of the recovery was during the second quarter.

Foster's questioned over fall in share price

By Bruce Jacques in Sydney

THE Australian Stock Exchange yesterday approached directors of Foster's Brewing Group, the Australian-based international brewer, over the recent sharp fall in the company's share price.

The shares fell from A$1.82 (US$1.31) on August 10 to a low point for the year of A$1.65 on August 14, before recovering yesterday to A$1.70, on speculation centred on Foster's June year earnings statement, due next month.

Investors have knocked Foster's shares down from a year high of A$2.11, recorded in early June, on fears that the company may announce large asset write-downs and perhaps be forced to bolster its capital with a share issue.

The stock exchange asked if Foster's directors believed the company's earnings would vary by more than 15 per cent over last year and whether it would record any material abnormal or extraordinary items.

Foster's directors have until midday today – Australian time – to reply.

The share slide also follows Foster's largest shareholder, International Brewing Holdings, being put into receivership and the apparent lapsing of a merger proposal from rival beer group, SA Brewing Holdings.

The receivership means a 32 per cent stake parcel in Foster's is for sale, although the receivers have stated they are prepared to be patient.

S Korean groups hit by slowdown

AN ECONOMIC slowdown and high financing costs took their toll on first-half profits posted by listed South Korean companies, Reuter reports from Seoul. A report on 487 listed companies said combined taxed profits totalled Won1,830bn ($2.3bn) compared with Won1,750bn in the first six months of 1991.

JP Morgan crosses the great divide

Patrick Harverson on the bank's rapid ascent on the corporate underwriting ladder

It has taken almost 60 years, but JP Morgan is on its way to becoming a full-service commercial and investment bank again – a status it enjoyed before the Glass-Steagall Act of 1933 forced US commercial banks to quit the securities business.

After more than half a century as purely a commercial bank, Morgan is now the seventh largest underwriter of corporate debt and equity in the US after such powerful "bulge-bracket" securities firms as Merrill Lynch, Goldman Sachs and Morgan Stanley.

In the first six months of this year, Morgan has underwritten $5.2bn in securities offerings as either co or lead-manager, and it should soon exceed the $6.4bn it totalled in all of 1991.

The bank has achieved its position in the underwriting rankings just three years after the Federal Reserve granted US commercial banks powers to trade and underwrite corporate bonds. But it was not until September 1990 that Morgan earned the special distinction of being the only bank allowed to trade and underwrite corporate equities.

It is believed the Fed gave Morgan its equity powers back first because it was the most securely capitalised of big US banks. It had also lobbied hardest for a return to investment banking. Yet Morgan did not enjoy its unique position among US banks for long. In January 1991, the Fed approved the return of Bankers Trust to the equity markets. Since then, no other banks have been granted similar powers.

But The Fed has imposed a limit on the two banks' activities – no more than 10 per cent of the revenues earned by their securities units must come from trading and underwriting corporate securities. The rest must come from government or agency business.

Even accounting for the later start, Bankers Trust has not matched Morgan's rapid ascent up Wall Street's underwriting ladder. The only league table it has appeared in so far is junk bond underwritings, where it ranked 10th in the first half of this year with $425m of issues under its belt (Morgan was ninth with $550m).

Analysts are not surprised that Morgan has made the bigger splash. Under the stewardship of its British chairman, Sir Dennis Weatherstone, it has been much more determined to build a presence in the securities business.

Morgan prepared for a return to domestic debt and equity underwriting long before the Fed considered dismantling Glass-Steagall, preparations that Mr Tony Mayer, Morgan's head of worldwide corporate finance, said were started in 1979 when the bank got into the Eurobond business. "We wanted to not only advise clients, but to execute for them through the entire capital structure," said Mr Mayer.

By 1984, Morgan was the leading US underwriter of Eurobonds, and a big player in the US government and agency securities markets. Its position proved the perfect launchpad when it entered the US corporate bond market in 1989.

Morgan was also expanding into overseas equity markets, building its experience of securities underwriting and trading. It also had a well-developed derivatives business, a presence in the debt and equity private placements market, and extensive research capabilities. It also moved into the junk and convertibles markets, both of which operate much like equity markets.

When Morgan was allowed to trade and underwrite US corporate stocks in 1990, the bank was fully prepared. "It made no sense not to become an equity player in your home market," said Mr Mayer.

Analysts say Morgan has clearly made a serious effort to try to become a major equity underwriting firm. Mr Raphael Soifer of Brown Brothers Harriman in New York said: "They have told people that they want to be back among the bulge-bracket underwriters before the end of the decade."

Morgan's long list of blue-chip clients is the weapon that Wall Street rivals fear most. "Morgan's strategy has always been client and relationship driven – they are less concerned with the profitability of individual transactions or products, and more whether deals benefit client relationships," said Mr Soifer.

Morgan has been willing to underwrite the higher rated issuers, even at narrower spreads, to gain the distribution experience, and to forge the relationships with the big institutional investors.

This aggressive approach is paying dividends. In the past year, Morgan has handled a host of important underwritings, including for Xerox, PepsiCo, McDonald's and Procter & Gamble. It even completed its first lead-managed initial public offering (IPO), of paperboard and packing group Riverwood International.

Its approach contrasts with that of Bankers Trust. Like Morgan, Bankers Trust says it was well prepared for the securities business after years of experience in areas including government fixed-income markets, private placements, commercial paper and Eurobonds.

By the time the bank was allowed into equities in January last year, everything was in place, said Mr Howard Schneider, president of BT Securities. While not as active as Morgan has been, Bankers Trust has participated in several big equity underwritings in the past year, including Time Warner, Ford, and Burlington Industries.

It has concentrated on the high-yield end of the market, an area that matches its client base, many of whom were leveraged buyouts (LBOs) the bank helped go private in the 1980s. Since it returned to bond underwriting, BT has been involved in more than $6bn of high-yield issues.

Although the junk market has undergone a renaissance in the past year, Bankers Trust says it was fortunate to enter the market in 1990 when it was still in a big slump. "It was a good time to get started if you had a long view," said Mr Schneider. There was a shortage of liquidity in the market that Bankers Trust was willing to fill: "Investors were desperate for any dealer to talk to."

For now, the bank will stay away from underwriting rated securities. "The rated bond business has very narrow margins and a high level of competition, so we are approaching it carefully," said Mr Schneider.

As for equities, Bankers Trust is also treading cautiously. It has been involved in a few IPOs (again with former LBO companies it knows well), some equity syndicates and cross-border equity deals in emerging markets, but nothing like to the extent of Morgan.

The two banks' presence in the securities underwriting business has raised questions about whether they have used their leverage on the bank lending side to win underwriting business from clients.

There have been rumours about the banks leaning on corporate borrowers to award them underwriting business, but no facts to back them up. The bankers' response to such allegations is uncompromising. Mr Mayer of Morgan says: "For one, it's nonsense. Two, it's illegal. And three, our clients would not put up with it."

Talk of such tactics serves little purpose. The chairman of one leading brokerage firm, however, offers a constructive answer to the conflicts of interest banks are rumoured to exploit, and to the familiar gripe from Wall Street that banks have an unfair advantage because they can borrow at cheaper rates from the Federal Reserve: "Give us access to cheap money from the Fed, and allow securities houses into the banking business."

Glass-Steagall may be crumbling – and the granting of equity powers to Morgan and Bankers Trust blew the biggest hole in the Act since its introduction – but legislators are unlikely to go that far.

Given the problems of US banks with loan businesses, and in light of Congressional opposition to allowing securities firms into banking, it seems JP Morgan and Bankers Trust will, for now at least, remain the only pioneers allowed to cross the great divide between commercial and full-service investment banking.

Sir Dennis Weatherstone: building a presence in securities

TOP 10 UNDERWRITERS OF CORPORATE DEBT AND EQUITY IN US*
January-June 1992

Manager	Amount ($m)	Issues
Merrill Lynch	53.738	347
Goldman, Sachs	35.813	214
Lehman Brothers	30.530	203
First Boston	24.167	135
Morgan Stanley	22.841	148
Salomon Brothers	19.100	93
JP MORGAN	5.178	30
Bear, Stearns	5.016	49
Donaldson Lufkin & Jenrette	4.954	38
Kidder, Peabody	3.858	45

*Excludes issues of mortgage-backed securities and closed-end funds
Source: IDD Information Services

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 17, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	51.5316	35.2262	40.97
Albania	(Lek)	211.255	109.686	74.9795	87.2053
Algeria	(Dinar)	39.5815	20.5511	14.0484	16.3391
Andorra	(Fr Fr)	9.5525	4.9597	3.3904	3.9432
	(Sp Peseta)	180.40	93.6656	64.0283	74.4685
Angola	(Kwanza)	1052.61	546.526	373.597	434.514
Antigua	(E Carr $)	5.1853	2.6922	1.8403	2.1404
Argentina	(Peso)	1.9030	0.988	0.6754	0.7855
Aruba	(Florin)	3.4377	1.7848	1.2201	1.419
Australia	(Aus $)	2.6575	1.3798	0.9432	1.097
Austria	(Schilling)	19.825	10.2933	7.0363	8.1836
Azores	(Port Escudo)	241.50	125.389	85.7142	99.6904
Bahamas	(Bahama $)	1.9260	1	0.6835	0.795
Bahrain	(Dinar)	0.7217	0.3747	0.2561	0.2979
Balearic Is	(Sp Peseta)	180.40	93.6656	64.0283	74.4685
Bangladesh	(Taka)	73.53	38.1775	26.0976	30.3529
Barbados	(Barb $)	3.8627	2.0055	1.3709	1.5945
Belgium	(Belg Fr)	58.05	30.1401	20.6033	23.9628
Belize	(B $)	3.841	1.9942	1.3632	1.5855
Benin	(CFA Fr)	477.625	247.988	169.521	197.162
Bermuda	(Bermudian $)	1.9260	1	0.6835	0.795
Bhutan	(Ngultrum)	54.0	28.0373	19.1659	22.291
Bolivia	(Boliviano)	7.5572	3.9237	2.6822	3.1195
Botswana	(Pula)	3.9826	2.0678	1.4135	1.644
Brazil	(Cruzeiro)	8878.35	4609.74	3151.14	3664.95
Brunei	(Brunei $)	3.0997	1.6093	1.1001	1.2795
Bulgaria	(Lev)	40.00	20.7684	14.1969	16.5118
Burkina Faso	(CFA Fr)	477.625	247.988	169.521	197.162
Burma	(Kyat)	11.2275	5.8294	3.9849	4.6346
Burundi	(Burundi Fr)	395.42	205.306	140.344	163.228
Cambodia	(Riel)	1632.4	847.56	579.379	673.849
Cameroon	(CFA Fr)	477.625	247.988	169.521	197.162
Canada	(Canadian $)	2.3020	1.1952	0.817	0.9502
Canary Is	(Sp Peseta)	180.40	93.6656	64.0283	74.4685
Cp. Verde	(CV Escudo)	121.72	63.1983	43.2014	50.2456
Cayman Is	(CI $)	1.6324	0.8475	0.5793	0.6738
Cent.Afr. Rep	(CFA Fr)	477.625	247.988	169.521	197.162
Chad	(CFA Fr)	477.625	247.988	169.521	197.162
Chile	(Chilean Peso)	706.48	366.812	250.747	291.633
China	(Renminbi Yuan)	10.5131	5.4585	3.7313	4.3397
Colombia	(Col Peso)	1196.61	621.293	424.706	493.957
CIS	(Rouble)	1.0494o	0.5448	0.3724	0.4331
		312.98m	162.503	111.084	129.197
Comoros	(CFA Fr)	477.625	247.988	169.521	197.162
Congo (Brazz)	(CFA Fr)	477.625	247.988	169.521	197.162
Costa Rica	(Colon)	258.21	134.065	91.645	106.588
Côte d'Ivoire	(CFA Fr)	477.625	247.988	169.521	197.162
Cuba	(Cuban Peso)	1.4546	0.7552	0.5162	0.6004
Cyprus	(Cyprus £)	0.8095	0.4203	0.2873	0.3341
Czechoslovakia	(Koruna)	52.61c	27.3156	18.6725	21.7172
		50.78t	26.3655	18.023	20.9618
Denmark	(Danish Kroner)	10.8650	5.6412	3.8562	4.485
Djibouti Rep	(Djib Fr)	340.0	176.532	120.674	140.351
Dominica	(E Carrib $)	5.1853	2.6922	1.8403	2.1404
Dominican Rep	(D Peso)	24.928	12.9428	8.8475	10.2901
Ecuador	(Sucre)	2787.35o	1447.22	989.299	1150.61
		3178.4s	1650.26	1128.09	1312.03
Egypt	(Egyptian £)	6.34	3.2917	2.2502	2.6171
El Salvador	(Colon)	15.3921	7.9917	5.463	6.3538
Equat'l Guinea	(CFA Fr)	477.625	247.988	169.521	197.162
Ethiopia	(Ethiopian Birr)	3.9505	2.0511	1.4021	1.6307
Falkland Is	(Falk £)	1.00	0.5192	0.3549	0.4127
Faroe Is	(Danish Kroner)	10.8650	5.6412	3.8562	4.485
Fiji Is	(Fiji $)	2.8650	1.4875	1.0168	1.1826
Finland	(Markka)	7.730	4.0134	2.7435	3.1909
France	(Fr)	9.5525	4.9597	3.3904	3.9432
Fr. Cty/Africa	(CFA Fr)	477.625	247.988	169.521	197.162
Fr. Guiana	(Local Fr)	9.5525	4.9597	3.3904	3.9432
Fr. Pacific Is	(CFP Fr)	172.0	89.3042	61.047	71.001
Gabon	(CFA Fr)	477.625	247.988	169.521	197.162
Gambia	(Dalasi)	16.8428	8.7449	5.9779	6.9526
Germany	(D-Mark)	2.8175	1.4628	1	1.163

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	792.028	411.229	281.11	326.947
Gibraltar	(Gib £)	1.00	0.5192	0.3549	0.4127
Greece	(Drachma)	348.05	180.711	123.531	143.674
Greenland	(Danish Krone)	10.8650	5.6412	3.8562	4.485
Grenada	(E Carr $)	5.1853	2.6922	1.8403	2.1404
Guadaloupe	(Local Fr)	9.5525	4.9597	3.3904	3.9432
Guam	(US $)	1.9260	1	0.6835	0.795
Guatemala	(Quetzal)	9.9168	5.1489	3.5197	4.0936
Guinea	(Fr)	1560.0	809.969	553.682	643.963
Guinea-Bissau	(Peso)	9602.5	4985.72	3408.16	3963.88
Guyana	(Guyanese $)	237.37	123.245	84.2484	97.9855
Haiti	(Goude)	9.6025	5	3.4081	3.9638
Honduras	(Lempira)	10.6265	5.5173	3.7716	4.3865
Hong Kong	(HK $)	14.8755	7.7235	5.2796	6.1405
Hungary	(Forint)	147.65	76.6614	52.4046	60.9494
Iceland	(Icelandic Krona)	103.40	53.6863	36.6992	42.6831
India	(Indian Rupee)	54.0	28.0373	19.1659	22.291
Indonesia	(Rupiah)	3917.58	2034.05	1390.45	1617.16
Iran	(Rial)	2757.0v	1431.46	978.527	1138.08
		121.35o	63.0062	43.07	50.0928
Iraq	(Iraqi Dinar)	0.5936	0.3082	0.2106	0.245
Irish Rep	(Punt)	1.0605	0.5506	0.3763	0.4377
Israel	(Shekel)	4.608	2.3925	1.6354	1.9021
Italy	(Lira)	2138.25	1110.2	758.917	882.663
Jamaica	(Jamaican $)	42.35	21.9885	15.031	17.4819
Japan	(Yen)	242.25	125.779	85.9804	100
Jordan	(Jordanian Dinar)	1.2719	0.6603	0.4514	0.525
Kenya	(Kenya Shilling)	63.1844	32.806	22.4256	26.0823
Kiribati	(Australian $)	2.6575	1.3798	0.9432	1.097
Korea North	(Won)	4.1291	2.1438	1.4655	1.7044
Korea South	(Won)	1516.2	787.227	538.137	625.882
Kuwait	(Kuwaiti Dinar)	0.5645	0.293	0.2003	0.233
Laos	(New Kip)	1373.1	712.928	487.347	566.811
Lebanon	(Lebanese £)	4502.6	2337.8	1598.08	1858.66
Lesotho	(Maluti)	5.3407	2.7729	1.8955	2.2046
Liberia	(Liberian $)	1.9260	1	0.6835	0.795
Libya	(Libyan Dinar)	0.5064	0.2629	0.1797	0.209
Liechtenstein	(Swiss Fr)	2.5325	1.3149	0.8988	1.0454
Luxembourg	(Lux Fr)	58.05	30.1401	20.6033	23.9628
Macao	(Pataca)	15.3361	7.9626	5.4431	6.3306
Madagascar	(MG Fr)	3057.4	1587.44	1085.15	1262.08
Madeira	(Port Escudo)	241.50	125.389	85.7142	99.6904
Malawi	(Kwacha)	7.5529	3.9215	2.6807	3.1178
Malaysia	(Ringgit)	4.8077	2.4962	1.7063	1.9846
Maldive Is	(Rufiya)	20.2421	10.5099	7.1844	8.3558
Mali Rep	(CFA Fr)	477.625	247.988	169.521	197.162
Malta	(Maltese £)	0.5699	0.2958	0.2022	0.2352
Martinique	(Local Fr)	9.5525	4.9597	3.3904	3.9432
Mauritania	(Ouguiya)	148.97	77.3468	52.8731	61.4943
Mauritius	(Maur Rupee)	28.2121	14.648	10.0131	11.6458
Mexico	(Mexican Peso)	5769.25	2995.46	2047.65	2381.53
Miquelon	(Local Fr)	9.5525	4.9597	3.3904	3.9432
Monaco	(French Fr)	9.5525	4.9597	3.3904	3.9432
Mongolia	(Tugrik)	76.82	39.8857	27.2653	31.711
Montserrat	(E Carr $)	5.1853	2.6922	1.8403	2.1404
Morocco	(Dirham)	15.33	7.9595	5.4409	6.3281
Mozambique	(Metical)	5526.2	2869.26	1961.38	2281.2
Namibia	(S A Rand)	5.3407	2.7729	1.8955	2.2046
Nauru Is	(Australian $)	2.6575	1.3798	0.9432	1.097
Nepal	(Nepalese Rupee)	89.55	46.4953	31.7834	36.9659
Netherlands	(Guilder)	3.1750	1.6484	1.1268	1.3106
N'nd Antilles	(A/Guilder)	3.4377	1.7848	1.2201	1.419
New Zealand	(NZ $)	3.5672	1.8521	1.266	1.4725
Nicaragua	(Gold Cordoba)	9.6025	4.9857	3.4081	3.9638
Niger Rep	(CFA Fr)	477.625	247.988	169.521	197.162
Nigeria	(Naira)	35.049	18.45	12.4397	14.4681
Norway	(Nor. Krone)	11.1075	5.7671	3.9423	4.5851
Oman	(Rial Omani)	0.7369	0.3826	0.2615	0.3041

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	48.25	25.0519	17.1251	19.9174
Panama	(Balboa)	1.9260	1	0.6835	0.795
Papua New Guinea	(Kina)	1.8590	0.9652	0.6598	0.7673
Paraguay	(Guarani)	2855.65	1482.68	1013.54	1178.8
Peru	(New Sol)	2.48	1.2876	0.8802	1.0237
Philippines	(Peso)	46.86	24.3302	16.6317	19.3436
Pitcairn Is	(£ Sterling)	1.00	0.5192	0.3549	0.4127
	(NZ $)	3.5672	1.8521	1.266	1.4725
Poland	(Zloty)	26289.0	13649.5	9330.61	10852
Portugal	(Escudo)	241.50	125.389	85.7142	99.6904
Puerto Rico	(US $)	1.9260	1	0.6835	0.795
Qatar	(Riyal)	7.0039	3.6365	2.4858	2.8911
Reunion Is. de la	(F/Fr)	9.5525	4.9597	3.3904	3.9432
Romania	(Leu)	720.50q	374.091	255.723	297.42
Rwanda	(Fr)	265.5	137.85	94.2324	109.598
St Christopher	(E Carr $)	5.1853	2.6922	1.8403	2.1404
St Helena	(£)	1.00	0.5192	0.3549	0.4127
St Lucia	(E Carr $)	5.1853	2.6922	1.8403	2.1404
St Pierre	(French Fr)	9.5525	4.9597	3.3904	3.9432
St Vincent	(E Carr $)	5.1853	2.6922	1.8403	2.1404
San Marino	(Italian Lira)	2138.25	1110.2	758.917	882.663
Sao Tome	(Dobra)	460.92	239.315	163.592	190.266
Saudi Arabia	(Riyal)	7.1780	3.7268	2.5476	2.963
Senegal	(CFA Fr)	477.625	247.988	169.521	197.162
Seychelles	(Rupee)	9.20	4.7767	3.2653	3.7977
Sierra Leone	(Leone)	950.6	493.562	337.391	392.405
Singapore	($)	3.0997	1.6093	1.1001	1.2795
Solomon Is	($)	5.6605	2.9389	2.009	2.3366
Somali Rep	(Shilling)	5031.71	2612.52	1785.88	2077.07
South Africa	(Rand)	5.3407c	2.7729	1.8955	2.2046
		7.3575g	3.82	2.6113	3.0371
Spain	(Peseta)	180.40	93.6656	64.0283	74.4685
Spanish Ports in N Africa	(Sp Peseta)	180.40	93.6656	64.0283	74.4685
Sri Lanka	(Rupee)	84.55	43.8992	30.0088	34.9019
Sudan Rep	(Dinar)	19.205	9.9714	6.8163	7.9277
Surinam	(Guilder)	3.4281	1.7799	1.2167	1.4151
Swaziland	(Lilangeni)	5.3407	2.7729	1.8955	2.2046
Sweden	(Krona)	10.2575	5.3258	3.6406	4.2342
Switzerland	(Fr)	2.5325	1.3149	0.8988	1.0454
Syria	(£)	38.8901	20.1921	13.803	16.0537
Taiwan	($)	48.35	25.1038	17.1606	19.9587
Tanzania	(Shilling)	613.79	318.686	217.849	253.37
Thailand	(Baht)	48.49	25.1765	17.2102	20.0165
Togo Rep	(CFA Fr)	477.625	247.988	169.521	197.162
Tonga Is	(Pa Anga)	2.6575	1.3798	0.9432	1.097
Trinidad/Tobago	($)	8.1621	4.2378	2.8969	3.3692
Tunisia	(Dinar)	1.6051	0.8333	0.5696	0.6625
Turkey	(Lira)	13700.91	7113.66	4862.79	5655.69
Turks & Caicos	(US $)	1.9260	1	0.6835	0.795
Tuvalu	(Australian $)	2.6575	1.3798	0.9432	1.097
Uganda	(New Shilling)	2264.5	1175.75	803.727	934.778
U A E	(Dirham)	7.0292	3.6496	2.4948	2.9016
United Kingdom	(£)	1.00	0.5192	0.3549	0.4127
United States	(US $)	1.9260	1	0.6835	0.795
Uruguay	(Peso)	6053.4	3142.99	2148.5	2498.82
Vanuatu	(Vatu)	215.35	111.812	76.433	88.8957
Vatican	(Lira)	2138.25	1110.2	758.917	882.663
Venezuela	(Bolivar)	130.133	67.5664	46.1874	53.7184
Vietnam	(Dong)	21240.73	11028.4	7538.86	8768.1
Virgin Is-British	(US $)	1.9260	1	0.6835	0.795
Virgin Is-US	(US $)	1.9260	1	0.6835	0.795
Western Samoa	(Tala)	4.6933	2.4368	1.6657	1.9373
Yemen (Rep of)	(Rial)	30.8240	16.0041	10.9401	12.724
Yemen (Rep of)	(Dinar)	0.8930	0.4636	0.3169	0.3686
Yugoslavia	(Dinar)	382.099	198.39	135.616	157.729
Zaire Rep	(Zaire)	1262400	655452	448057	521115
Zambia	(Kwacha)	342.80	177.985	121.668	141.507
Zimbabwe	($)	9.4489	4.9059	3.3536	3.9004

Special Drawing Rights August 14, 1992 United Kingdom £0.752772 United States $1.45300 Germany D Mark 2.12123 Japan Yen183.805
European Currency Unit Rates August 17, 1992 United Kingdom £0.722418 United States $1.38726 Germany D Mark 2.03552 Japan Yen174.975

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday August 17, 1992

INTERNATIONAL CAPITAL MARKETS

Bank makes Japan's VRN debut

By Tracy Corrigan

FUJI Bank yesterday launched a $350m issue of subordinated perpetual variable-rate notes – the first Japanese bank to raise capital using a controversial variable-rate structure. The notes count as upper tier 2 capital under Basle capital adequacy guidelines.

The move is expected to mark the start of a wave of subordinated perpetual debt issues by Japanese banks which are struggling to meet capital guidelines.

The deal was arranged by Merrill Lynch, the only bank currently active in the VRN market.

Variable-rate notes are priced to pay an initial margin over the London interbank offered rate and are re-marketed at auction every three months. If there are insufficient buyers, the margin widens to a fall-back rate.

The VRN market collapsed in 1990, due to declining confidence in bank credit quality. Investors – including a number of UK companies whose treasuries had bought paper as money-market investments – were left holding paper at fall-back rates which no longer seemed attractive.

INTERNATIONAL BONDS

Until yesterday's deal, only two VRNs had been launched so far this year. Most outstanding deals are still at their fall-back rates, although Merrill Lynch says the paper is liquid and actively traded.

Dealers were sceptical about demand for the Fuji paper, which pays an initial margin of 0.85 point over Libor, with a fall-back rate during the first five years of 1 point.

One trader suggested the deal would be viewed as a step-up floating-rate note, rather than a variable-rate note.

Merrill declined to disclose the nature of placement (except that it was with genuine end-investors, excluding banks), but reported firm demand and predicted further such deals.

Fuji Bank also launched a $150m issue of perpetual subordinated floating rate notes arranged by Fuji International. Placement of the paper, which also represents upper tier 2 capital, is believed to be with related companies, a pattern which has been followed by many Japanese bank capital issues.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Fuji Bank Intl.(c)♠†	350	(c)	100	(c)	30bp	Merrill Lynch
Alisa VII(b)‡†	200	(b)	100	1996	1/0.625	Nomura Intl.
Fuji Bank Finance(d)‡†	150	(d)	100	(d)	30/15bp	Fuji Intl. Finance
Shearson Lehman Bros.(e)‡†	100	(e)	99.85	1995	25/12.5bp	Lehman Bros. Intl.
CANADIAN DOLLARS						
Svensk Export.(f)‡†	150	(f)	99.95	2002	50bp	Kidder Peabody

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. ♠Variable rate note. a) Non-callable. b) Coupon pays 131bp over 6-month Libor and payable semi-annually. Non-callable. c) Undated subordinated issue. Callable after 5 years at par. Coupon pays initial margin of 85bp over 3-month Libor and has fall back rate of 1% in years 1 to 5, 1.3% in years 6-10 and 2.05% thereafter and is payable quarterly. d) Undated subordinated issue. Coupon pays 80bp over 3-month Libor in years 1 to 5, 130bp over 3-month Libor in years 6 to 10, 180bp over 3-month Libor thereafter. Non-callable. e) Coupon pays 75bp over 3-month Libor. Non-callable. f) Coupon pays 30bp below 3-month Bankers Acceptances. Minimum interest rate 6%, maximum 9½%. Non-callable.

Treasuries fall sharply at long end

By Patrick Harverson in New York and Sara Webb in London

LONG-dated US Treasury securities fell sharply yesterday on fears that President Bush may announce tax cuts in his acceptance speech later this week at the Republican convention.

In late trading the benchmark 30-year government bond was down 11/32 at 98 23/32, yielding 7.356 per cent, although that was above its lows for the day. The two-year note was little changed, however, up just 1/32 at 100 5/32 to yield 4.064 per cent.

After an impressive month-long rally, the Treasury market has suddenly been gripped by worries that President Bush is willing to sacrifice his long-term goal of balancing the budget in favour of a short-term economic stimulus in the shape of a tax cut.

■ UK government bonds continued to rise yesterday, following Friday's strong rally on the back of favourable inflation figures.

Yesterday's rise was held in check by sterling weakness but the Liffe gilt futures contract rose from 97.17 to trade at 97.23 by late afternoon while in the cash market, medium-dated issues made the strongest gains.

GOVERNMENT BONDS

The 9¾ per cent gilt due 2002 rose from 103 1/32 to 103⅜ to yield 9.22 per cent while shorter-dated issues were little changed on the day.

■ DEALERS reported firm buying interest in French government bonds with investors apparently anticipating a favourable result in an opinion poll on the government due to be published this week.

The yield on the 8½ per cent bond due 2002 fell from 8.97 per cent to 8.92 per cent, while the Matif futures contract climbed from 105.92 to 106.08. The release of favourable inflation data had little impact on the market.

Elsewhere in Europe, German government bonds ended the day only slightly higher after Friday's strong gains, but dealers said the market was awaiting the key money supply data due out later this week.

■ JAPANESE government bonds rallied yesterday afternoon after a weak start, with the futures contract reaching its highest level since September 1989. Profit-taking pushed the bond market lower at the start of trading, with the yield on the benchmark No 129 moving from its opening of 4.8 per cent to 4.83 per cent. Dealers noted modest buying interest and short-covering later in the trading session, pushing the yield on the No 129 to 4.77 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	110.6988	+0.989	8.41	8.34	8.79
BELGIUM		8.750	06/02	98.4500	-	8.99	8.99	8.96
CANADA *		8.500	04/02	108.1300	+0.850	7.31	7.38	7.88
DENMARK		9.000	11/00	96.9500	-0.020	9.53	9.43	9.33
FRANCE	BTAN	8.500	03/97	96.9438	+0.107	9.32	9.34	9.40
	OAT	8.500	11/02	97.2000	+0.300	8.91	9.00	9.04
GERMANY		8.000	07/02	100.4200	+0.090	7.94	8.03	8.08
ITALY		12.000	05/02	93.5700	+0.820	13.62†	13.47	13.97
JAPAN	No 119	4.800	06/99	100.1032	+0.258	4.78	5.10	5.25
	No 129	6.400	03/00	108.9027	+0.088	4.80	5.00	5.17
NETHERLANDS		8.250	06/02	99.5950	+0.045	8.31	8.38	8.41
SPAIN		10.300	06/02	90.1700	+0.170	12.04	12.01	12.17
UK GILTS		10.000	11/96	101-30	+7/32	9.42	9.55	9.35
		9.750	08/02	103-13	+2/32	9.22	9.30	9.13
		9.000	10/08	100-04	+2/32	8.98	9.06	8.95
US TREASURY *		7.500	08/02	99-28	-3/32	6.52	6.63	6.96
		8.000	08/22	98-22	-14/32	7.35	7.42	7.67
ECU (French Govt)		8.500	03/02	94.9900	+0.200	9.30	9.41	9.37

London closing. *New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Pfizer to float stake in minerals business

By Nikki Tait in New York

PFIZER, one of the largest US drug companies, yesterday announced plans to float a majority interest in its speciality mineral business on the stock market.

The US drug company said it would retain a stake of around 30-40 per cent in the minerals operation – to be called Minerals Technologies.

No precise timing was given for the spin-off, but a filing with the Securities and Exchange Commission, the US securities industry watchdog, is likely within a week. The transaction could then be completed by the end of 1992.

Pfizer accompanied news of the partial disposal with an announcement that the board had authorised a buy-back of up to 10m shares over the next two years.

Together, the two pieces of news sent the shares $1¼ higher, at $81¼.

Ahead of the SEC filing, Pfizer declined to discuss details of the new Minerals Technologies company. However, according to last year's annual report, the specialty minerals operations had sales of $359.3m last year, up from $343.9m in 1990. The drug company sold its pigments business – which used to be part of this division in 1990.

Precipitated calcium carbonate satellite plants – which operate in the paper-making industry – account for about half the division's sales at present. There is also a separate subsidiary, called Quigley, which supplies monolithic refractories and specialty products to the iron, steel and glass industries.

The division is a small part of Pfizer, which had aggregate sales of $6.95bn last year.

The company said that decision to float a majority interest in the minerals business "furthers Pfizer's ongoing strategy of focusing on its strengths as a research-based, diversified health-care company with global operations."

Managers find faith in index-matching strategies

Norma Cohen on passive management techniques

BRITAIN's leading fund managers, who pride themselves on their stock-picking skills, have long scorned passive management techniques. But the passive strategy used in index matching is increasingly being seen as an option for pension fund managers who have lost faith in the roller-coaster performance records of many of Britain's top money managers.

An indexed portfolio consists of all the shares in an index whose performance the fund manager wishes to track and in a proportion to each company's capitalisation. It requires no analysis of each share's underlying performance or prospects.

The Wellcome Trust, the medical research charity, announced recently it would use index matching to manage half the equities portion of a portfolio it intended to buy with proceeds from a recent sale of Wellcome shares.

Mr Roger Gibbs, chairman of Wellcome Trust, said that tracking the FT-All Share Index of 650 UK stocks seemed a logical approach for a charity whose liabilities were in Britain. While active fund managers can and do out-perform the index, they rarely do so consistently. And in the interim, fees for index tracking are well below those charged by active managers.

Passive management was boosted several weeks ago when Marks and Spencer, the UK retailer, announced its £1bn pension fund was dropping its classic-style fund managers in favour of an index-tracking house.

Barclays de Zoete Wedd Investment Management, the UK's largest external index-tracking fund manager, won the Marks and Spencer account against two top-drawer "active" managers, Prudential Portfolio Management and Mercury Asset Management.

"There's been an increasing trend towards index matching over the past four years," said Mr John Clamp, chief executive of Combined Actuarial Performance Services, a pension fund performance measurement service. Mr Clamp estimates that 15 to 20 per cent of UK pension assets under management are managed on a passive basis, with one fund, the £20bn scheme of the Post Office and British Telecommunications accounting for about a quarter of that. Roughly £12bn of the fund is managed using index-matching techniques.

Mr James Woodlock, director of BZW Asset Management, the UK's largest external manager of indexed funds, said that passively managed funds under its management have grown from £3.5bn at the end of 1987 to £8.5bn by the end of 1991. Since the start of this year, indexed funds have risen by another £3bn and they now account for nearly half of BZW's £25bn under management.

Mr Woodlock said that clients were attracted by greater certainty of return offered by index matching, even if it rules out the potential for out-performing key stock indices. Fees and transactions costs are lower, partly because fewer transactions need occur, he added.

Some supporters of index tracking say it is the fee structure which rewards passive managers less generously than active managers, that has caused UK fund managers to resist it.

WM Company, a pension fund performance measurement service, estimates the market at a somewhat smaller but still significant 12 to 15 per cent of all funds under management.

In the year ended 1991, WM Company noted that 90 per cent of the indexed funds which it monitors had out-performed the index. This suggests that index-tracking fund managers have some way to go to improve their technique if they are to exactly match the key FT-All share index. In seeking to explain the tracking error, WM said it believes that a number of partly-paid issues and the distribution of various rights offerings distorted calculations of returns.

By comparison, over half the actively managed funds had under-performed the index. Also, the weighted average return of active fund managers measured by the WM index in 1991 was 20.0 per cent, compared with 21.1 per cent for index fund managers.

Not all those who have shifted to passive management have done so because active managers offered disappointing results. One large UK pension fund with roughly £6bn under management said it chose index matching because the size of the scheme was impairing the ability to move in and out of shares quickly. "The number of stocks in which we choose to be active is 60 to 100. But the size of our equity portfolio had become so large we couldn't manage that effectively," he said. Sticking to manageable stakes would have required investment in far more companies than the in-house fund manager felt could be monitored effectively.

Mr Robert Colville, director of Financial Activities at M&S, said the company had decided to switch its pension scheme to a largely index-matched system of management after conducting an analysis of asset and liability classes.

Mr Colville said the investment approach used by active managers appeared incompatible for a mature fund such as Marks and Spencer which had a large pensioner population looming. Indexation allows the pension scheme to tie its returns more closely to those of the stock market providing an element of inflation-proofing for investment returns.

About 20 per cent of the fund remains in the hands of Phillips & Drew Fund Managers who handle the fixed interest portion.

In the US, roughly 51 per cent of domestic equity pension fund assets are managed using index-matching techniques in a trend begun in the 1970s. Index matching has taken a long time to cross the Atlantic.

Mr David Damant, managing director of MAP Securities, said: "There is a certain distrust among UK fund managers of anything academic and index matching is a rather academic discipline."

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 17

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	31	19	25
Other Fixed Interest	8	3	4
Commercial, Industrial	333	187	917
Financial & Property	126	95	581
Oil & Gas	20	17	49
Plantations	0	1	8
Mines	41	19	89
Others	58	18	45
Totals	617	359	1,718

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Stock (last rows, partly legible): Beckenham, Birkby, Caverdale, Channel 5p, Cray Electronics

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. & Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ◊ Unlisted securities market. ¶ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♦ Units comprising 1 Ord and 1 Zero Div Pref share. ■ Units comprising 4 Ords and 7 Zero Div Prefs and 4 Stepped Pref shares.

TRADITIONAL OPTIONS

- First Dealings: Aug. 3
- Last Dealings: Aug. 14
- Last Declarations: Oct. 29
- For settlement: Nov. 9

Calls in ACT, Acorn Computer, Airtours, Cluff Res., Kwik-Fit, Lasmo, Mayflower, Pilkington, Proteus Intl., A. Proudfoot and Western Mining. Puts in AMEC, BET, Medeva and Proteus Intl. Double (Put and call) in Hartstone.

3-month call rate indications are also shown on this page

LIFFE EQUITY OPTIONS

[illegible]

August 17 Total Contracts 24,341. Calls 12,709 Puts 11,632. FT-SE Index Calls 2,213 Puts 4,912. Euro FT-SE Calls 669 Puts 974. *Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	8	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	[illegible]	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	28	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	65	Land Secs	[illegible]		
BT	25	Hanson	18	Ratners	3	MEPC	28		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

هكذا من الأصل

Administrators appointed at Burns-Anderson

By Scheherazade Daneshkhu

BURNS-ANDERSON, the recruitment and financial services group formerly chaired by Sir John Harvey-Jones, has gone into administrative receivership.

Touche Ross announced yesterday that insolvency partners Mr Nick Lyle and Mr David Morgan had been appointed joint administrative receivers of the holding company late on Friday evening.

Mr Lyle was also appointed joint administrative receiver, with Mr Ken Chalk of Touche Ross, of Burns-Anderson Recruitment.

Dealings in the shares were suspended at 2p on Friday, after talks aimed at restructuring the company's debts with its bankers, which include National Westminster, failed.

The receivers also revealed yesterday that 16 of the 21 recruitment agency offices of Burns-Anderson Recruitment were purchased over the weekend by Premier Employment, a company newly formed by Mr Dorian Marks, the former finance director.

Mr Marks, who was also a director of Burns-Anderson Recruitment, was assisted in the purchase by other former directors.

Defending the swiftness of the disposal, Mr Chalk said that it had been "a good realisation for the creditors in the circumstances."

Mr Chris Edge of Family Assurance Society, which has a 4.9 per cent stake in the group, said yesterday that the developments over the weekend were "not an enormous surprise. The company has been struggling for a considerable period."

Pre-tax losses were £2.74m for the year to December 31 1991 compared with a deficit of £1.97m in the previous 15 month period.

The receivers said that three of the group's subsidiaries, including Burns-Anderson Independent Network, the third largest network of financial advisers in the country,

Sir John Harvey-Jones: left board in March 1991

were not immediately affected by the collapse of the holding company.

Mr Alan Taylor, managing director of the network, which has 375 individually registered members with Fimbra, the self-regulatory organisation, said yesterday that the network itself continued to do business profitably and was financially "ringfenced" from the group.

Mr Stephen Kelland, director of Kelland & Partners financial advisory division, said yesterday that his company had no cross-guarantees with the group.

"Whatever situation we move to will be a better one because the parent company won't have debts," he said.

The group's market capitalisation at the suspension price was £830,000, compared with a high of £55.5m in June 1987.

In that month, Sir John, former chairman of ICI and a renowned troubleshooter, joined Burns-Anderson as non-executive chairman.

He resigned as chairman in June 1990, leaving the board in March 1991.

Arthur Lee slices into borrowings with £7.5m disposals

By Angus Foster

ARTHUR LEE, the Sheffield-based manufacturer of steel and plastic products, is selling its loss-making bright bar division and a related steel stock holding company for £7.5m, which will enable it to repay nearly all group borrowings.

The company is selling Lee Bright Bars, which makes bright engineering steels, and Bell & Harwood, a specialist stockholder, to United Engineering Steels, the joint venture between British Steel and GKN.

United Engineering has its own, much larger, bright bar division and will also supply raw steel to Lee Bright Bars. The transaction is subject to the Office of Fair Trading indicating there will be no Monopolies and Mergers Commission referral.

The two companies accounted for just under 25 per cent of Arthur Lee's sales last year. In the six months to March 31 they incurred combined losses of £702,000, which reduced group profits to £604,000.

Mr Grahame Holland, financial director, said following the sale Arthur Lee will concentrate on alloy and stainless steel manufacturing, plastics and wire and plastic ropes.

He said the company had invested nearly £3m in the bright bar division in recent years. Margins, however, were disappointing and the company would now focus on higher value added activities.

The purchase price included £1.5m of borrowings which would be transferred to United Engineering. Arthur Lee's net borrowings would fall from £8m to less than £1m.

Mr Peter Lee, 57, chairman and managing director, also announced that his roles would be split. He would continue as chairman but Mr Jim Henderson, managing director of the steel division, would take over as group managing director. Mr David Lee, 59, another member of the Lee family, was also reducing his involvement in the company.

Lee Bright Bars' site in Sheffield and Bell & Harwood's site in West Bromwich are being retained by Arthur Lee and rented back to the former subsidiaries. The rental income charged, which was not disclosed, would be a similar size to management charges paid to Arthur Lee.

Jupiter Tyndall cedes ground in PHIT battle

JUPITER TYNDALL, the fund management group, yesterday conceded temporary defeat in its battle with the board of Pacific Horizon Investment Trust - but the war may not be over, writes Philip Coggan.

The Pacific Horizon directors want to replace Jupiter Tyndall, which has been managing the trust, with Baillie Gifford.

Alternatively, Jupiter Tyndall had proposed a reconstruction of the trust in which shareholders could have received an offer worth 90 per cent of the trust's net asset value.

Two extraordinary meetings are due to be held today, at which shareholders will vote on the rival proposals. But Jupiter Tyndall said yesterday it understood "that a number of significant shareholders wish to support the alternative proposals of the board of PHIT, and it has therefore decided that, in order to avoid further controversy, it will no longer continue to press for the resolutions to be passed at the Second Extraordinary General Meeting." In fact, Jupiter Tyndall will not even propose the resolutions.

Victory for the Pacific Horizon board in today's votes therefore seems certain. Mr Garnet Harrison, Pacific Horizon's chairman, said yesterday that he was "pleased" to hear the news.

However, Mr Harrison's victory may not be final. In July, Jupiter Tyndall announced an approach from another investment trust which might be interested in making a bid for Pacific Horizon. Although that approach was then withdrawn, there have been reports of other trusts waiting in the wings to make an offer.

Mr Harrison said yesterday "we take the view that any potential offeror has had plenty of time to make a bid. If there were an offeror, surely they would have made themselves known by now."

No end in sight to the Pacific war

Philip Coggan gives the background to the long-running dispute over the future of PHIT

TO THE outsider, it seems incredible that grown men can fight bitter battles over the future of something as staid as an investment trust.

But tiny Pacific Horizon, with a market capitalisation of just over £8m, is only the latest trust to provoke a bad-tempered bout.

In one corner is Jupiter Tyndall, which has been managing the trust; in the other is the Pacific Horizon board.

The origins of the dispute date back to the merger between Jupiter Tarbutt Merlin and Tyndall Holdings in 1991. Tyndall was a banking and fund management group which had made a disastrous investment in Clayton Robard, an Australian fund manager, just before the crash. Pacific Horizon was an investment trust in the Tyndall stable, having been created by the revamp of an Australian investment trust in 1989.

Some would suggest that the underlying cause of the battle is the unhappiness of those Pacific Horizon directors who were linked with the Tyndall regime and have now left the group. Indeed, another trust in the Tyndall stable, European Project, has sacked Jupiter in favour of Murray Johnstone. But Mr Garnet Harrison, Pacific's chairman, dismisses allegations of "sour grapes", pointing out that he left Tyndall a year before the takeover by Jupiter.

For the Jupiter side, the key questions relate to the role of the manager. Is it right that a trust's managers should be allowed to buy shares in the trust – and then use that stake to block a bid approved by the trust's board? And

Trevor Humphries

Garnet Harrison: dismisses allegations of 'sour grapes'

should the managers be negotiating with potential bidders, without the board's approval?

Mr John Duffield, chairman of Jupiter Tyndall, rejects suggestions of a conflict of interest. He says that his group has simply been trying to get the best deal for shareholders - and importantly, warrantholders. In addition, he says that Jupiter's most recent proposals would have resulted in the loss of the group's management contract over the bulk of the trust's assets. That, he argues, does not indicate self-interest.

But why is Jupiter Tyndall, with more than £1bn of funds under management and which recently recruited Mr Leonard Licht, a top Mercury fund manager, bothered about an £8m trust?

At the heart of the dispute are the two key issues which tend to prompt bitter conflict in the sober world of investment trusts. The first is the discount. Shares in most trusts trade at a discount to their net asset value. That causes frustration for those shareholders who bought at launch - and makes them willing to welcome proposals which narrow the discount, or eliminate it altogether. It also provides an opening for predators, who see the chance to buy assets on the cheap.

But this can be bad news for the managers of the trust, since a bid will mean the loss of their fee income. In theory, the board of a trust and the managers are completely separate – and the former should have the right to sack the latter at any time.

In practice, many trust boards are closely linked to the management groups. Indeed, in recent years, some trusts have been branded with the fund manager's name, making the prospect of sacking highly unlikely.

At Pacific Horizon, the first proposal to eliminate the discount was for the trust to merge with CST Emerging Asia, another trust in the Jupiter stable. But that deal was rejected by the board of CST, which was independently advised by Robert Fleming. CST's board said "PHIT's portfolio and performance, in terms of the decline in net assets per share since launch, provided no grounds for selecting PHIT as a merger partner." (Pacific's performance leaves it eighth out of 10 trusts in the sector over the year to August 1, turning £100 into £85, according to Micropal).

The Pacific Horizon board then negotiated a takeover by Martin Currie Pacific. But Jupiter Tyndall said the deal disadvantaged warrantholders. It bought up a stake of 25.1 per cent in the warrants and 15.4 per cent of the ordinary shares, in the process blocking the deal and causing Martin Currie to withdraw in mid-June.

The summer has seen further skirmishing. Pacific Horizon said it was dismissing Jupiter Tyndall as manager and replacing it with Baillie Gifford. Jupiter announced it had received a bid approach (to the indignation of the Pacific Horizon directors); but a week later said the approach had been withdrawn.

Today seemed likely to see the showdown. Two extraordinary meetings are being held – the first to vote on the replacement of Jupiter Tyndall, the second on a Jupiter plan to restructure the trust and allow investors to sell their holdings at 90 per cent of net asset value.

But Jupiter announced yesterday that "following discussions with a number of significant shareholders", it was dropping its proposals. Since the Martin Currie bid won the support of more than 74 per cent of Pacific's shareholders, perhaps that is not surprising.

Mr Duffield seems unlikely to give up, however. Other potential bidders have been reported to be in the wings and Mr Duffield maintains that the replacement of his group by Baillie Gifford will do nothing to eliminate the discount (currently about 14 per cent). The future of Pacific may still be warlike.

Broker seeks winding up of Alliance Resources

By Peggy Hollinger

GIROZENTRALE Gilbert Eliott, the London stockbroker, has filed a petition to wind up a natural resource company which it brought to the market just last year.

The broker claims that Alliance Resources, a Louisiana oil and gas producer floated in March 1991 at 40p, owes it £38,346 for services rendered.

In July of this year, the broker served a 21-day demand for payment upon the company, which it says "remains unanswered and unpaid".

Thus, Gilbert Eliott alleges in the petition, "the company is insolvent and unable to pay its debts. In the circumstances, it is just and equitable that the company should be wound up."

Mr Stuart McCullock of Lovell White Durrant, solicitors to Alliance, said he was unaware of any such petition.

Gilbert Eliott refused to comment on the case, while Mr John O'Brien, Alliance chairman, was unavailable yesterday.

Alliance was originally a Canadian company called United North American Resources. In December 1990, shareholders approved a reorganisation plan to allow the firm to come to Britain under the name Alliance. A petition was lodged to dissolve UNAR after its assets were transferred to Alliance.

Alliance was capitalised at £8.8m in its London flotation. The shares, which hit a low of 7p in April, closed steady last night at 10p.

In May of this year, Mr O'Brien, managing director of Manx Petroleum, became the company's new chairman. Manx is now in negotiations to take on Alliance's assets, in return for paying off the US-based company's creditors. Some three months ago, the Manx board voted to advance £200,000 to Alliance to meet its commitments. It is unclear whether this has yet been paid.

Mr Algy Cluff, non-executive chairman of Manx Petroleum, said the petition for winding up Alliance could threaten the proposed deal.

It is uncertain whether the petition has been served. The case is due to be heard in the Royal Courts of Justice in London on October 28.

Plasmec mounts recovery to £307,000

Higher sales and operating profits, backed up by reduced interest charges, helped USM-quoted Plasmec recover in the first half of 1992.

Pre-tax profit came to £307,000, compared with just £5,000 last time and with £202,000 in 1990. As prospects for the second half indicated a similar trading level, the interim dividend is raised to 1.5p, against 1p and 1.8p respectively.

Turnover rose to £7.32m (£6.18m). Sales of injection moulded components rose 27 per cent to £1.6m, electronic and electromechanical equipment 12 per cent to £2.9m and electrical components and luxury gifts 21 per cent to £2.8m.

Operating profits rose to £430,000 (£191,000) and interest costs were £123,000 (£186,000).

Earnings per share came to 4.3p (nil).

Takeover Panel reviews creeper provision to protect companies

By Jane Fuller

THE RULE by which a shareholder with more than 30 per cent of a company can increase its stake without triggering a bid is being reviewed by the Takeover Panel.

The so-called "creeper provision" was brought in alongside the mandatory offer rule in 1974. The aim was to provide some flexibility in the wake of a rule that made a bid compulsory once a holding reached 30 per cent.

The "creeper" allows the holder of between 30 and 50 per cent of a company's shares to buy a further 2 per cent a year without triggering a bid.

However, in a few cases the effect has been to leave a target company under siege even though the predator has failed to attract majority acceptance of an offer.

For instance, Molins, the engineering group, beat off a bid from Leucadia National, the US financial conglomerate, in 1990 only to face the possibility that Leucadia would take control anyway. In the event, Leucadia failed in its attempt to win board control and last November sold its 48.4 per cent to institutions at a profit.

Mr Peter Greenwood, managing director of Molins, said yesterday that he welcomed the panel's decision to review the provision. "Molins' experience was that there was a real danger that a company with a major holding could gain control on a creeping basis without paying the full value to all shareholders."

The provision may lower the level of acceptances a predator needs in order to gain ultimate control. In 1990, Hartwell, the motor group, fought off a bid from the Saudi Arabia-based Jameel organisation. But the 43 per cent stake acquired by Jameel coupled with the prospect of it gaining eventual control through annual share purchases and preference share conversions led Hartwell's management to surrender – at the very price they had rejected - less than three months after their apparent victory.

Now Hartwell is bidding nearly £26m for Trimoco, another motor trader, from the basis of a 39.4 per cent stake following the conversion of preference shares. No wonder Trimoco is sensitive to its shareholders misunderstanding the term "mandatory" offer and believing that the compulsion is on them to sell rather than on Hartwell to offer.

The Takeover Panel said it was continually reviewing its code. The creeper provision was being debated, but there was no overwhelming body of cases. It was not clear if the issue was worrying enough for the rule to be tightened up.

34% of Manders holders reject Kalon's £86m offer

By Peter Pearse

KALON'S hostile £85.7m offer for Manders (Holdings) took another potentially crippling knock yesterday as Finsbury Asset Management declared that it would not accept the bid, which closes on Friday.

In all, shareholders of 33.8 per cent of the paint, inks and property company have now declared that they will not accept. Yesterday Manders shares dropped 13p to 198p.

Finsbury's move follows the decision of British Steel Pension Fund, which holds 22 per cent of the target, to publicise on Friday its non-acceptance of the final offer. This lifted the terms from 8-for-3 to 17-for-6 with the partial cash alternative of 14 plus 300p for six, valuing Manders' shares at 232p or 241p with the cash.

Finsbury holds just under 6 per cent of Manders. Mr Malcolm King, Finsbury investment manager, said that the British Steel announcement had "no effect on our decision, only on what and when we told people". He said that Finsbury was not accepting the bid "because it did not feel that the bid terms reflected the underlying value of Manders' businesses, because it felt that Manders *did* have a strategy to realise that underlying value, and because of the all-share aspect of the bid: even with the cash alternative, 80 per cent was in shares".

Mr King added that as the Kalon share price declined over the bid – from 110p at the launch to a static 82p yesterday – the third factor meant less and the first more.

It is believed that Kalon has received acceptances for more than 9 per cent of Manders.

The British Steel press office said yesterday that BSPF had decided not to accept the offer because of the dominance of paper in a bid which was not "high enough". The decision was taken on the make-up of the final offer, it said.

NEWS DIGEST

Samuel Heath cut to £308,000

SAMUEL HEATH & Sons, the hardware, pottery and photograph frame manufacturer, saw pre-tax profits for the year to March 31 drop from £377,000 to £308,000. Turnover fell from £7.22m to £7.1m.

The outcome was, however, better than the company had expected at the half way stage.

Home sales were still down, though exports were ahead. But the company warned that most of its overseas markets were now suffering the same problems as those in the UK.

The company had hoped that it was set for recovery after the election, but was instead having to alter its expectations and cut budgets.

There has been an efficiency programme at its main factory in Birmingham, with considerably less raw material and work in progress now carried.

Earnings per share came out at 7.3p (8.3p) and the final dividend is maintained at 4p to give a same-again total of 5.5p.

US Smaller Cos income boosted

At the end of June 1992, net asset value of US Smaller Companies Investment Trust was 93.9p.

For its initial 11 months trading the final dividend is 0.1p which makes a total of 0.3p.

Net revenue for the period came to £114,000 for earnings per share of 0.54p. The level of income was greater than would be expected to be distributable in the future, because of the high amount earned on cash held prior to investment in US equities.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alliance Trust ....int	14	Oct 9	14	-	43
Argos ....int	2.2	Nov 16	2.1	-	6.4
Eng & Caled Inv ......fin	2.5	Oct 23	2.15	3.75	3.15
Heath (Samuel) ....fin	4	Oct 2	4	5.5	5.5
Plasmec § ....int	1.5	Nov 3	1	-	2.5
US Smaller Cos ......fin	0.1	Oct 9	-	0.3	-

Dividends shown pence per share net except where otherwise stated. §USM stock.

Lilleshall sale will cut gearing

Lilleshall, a distributor of fasteners and engineers' tools, has exchanged contracts for the sale of the remaining part of its industrial investment property at Tipton for £1.32m.

Following the sale, together with the other part of the Tipton site for £800,000 in June, Lilleshall's current gearing is anticipated to be under 25 per cent.

Alliance Trust asset value in decline

Net asset value at Alliance Trust fell 6 per cent to £14.48 over the six months ended July 31 1992, slightly less than the drop in the FT-A All-Share index.

In the UK, where 51 per cent of the portfolio was held, the share prices of the trust's holdings kept up well compared with the indices, but in the US currency had been a negative influence. The exposure to the Japanese market was minimal.

On the revenue side the half year produced a reduction from £17.5m to £16.8m in the total. That reflected some increase in dividend revenues, offset by the adverse effect of the weak dollar on US income and of lower interest receivable on cash deposits. Earnings per share worked through at 22.74p (23.33p) and the interim dividend is again 14p.

Emap lifts stake in Kiss FM Radio

Emap, the printing and publishing group, has increased its holding in its Kiss FM Radio subsidiary.

The increased stake – Emap now controls 42.4 per cent of the A shares and 99.7 per cent of the B shares - was achieved by taking a further 37.3 per cent of the A and 0.4 per cent of the B for a total of £149,000.

The consideration was settled by the issue of 46,010 shares and £26,358 cash.

Shani expands womenswear side

Shani Group, the USM-traded fashion wear company, has acquired three women's suit and coat manufacturers for £1m cash.

A further earn-out, up to £1.68m cash, will be payable to the vendors dependent on profits for the two years to July 31 1994.

The three businesses - Admyra Coats, MF Lampert and Lampert & Smith – are based in east London and supply independent retailers and multiple chains.

They achieved profits before tax of £639,000 for the 1991 year on turnover of £6.5m. Net assets at that date amounted to £562,000.

F&C Enterprise net asset value up

Over the six months ended June 30 1992 net asset value of Foreign & Colonial Enterprise Trust improved from 44.8p to 45.3p. At mid-1991 it stood at 44.4p.

Mr John Sclater, chairman, said the trust took advantage of the weak market in unquoted companies to make a number of new management buy-out investments.

Also, one investment, Business Advisory Services, was sold for a total of £2.5m against the cost in April 1991 of £1m.

Attributable revenue for the half year came to £349,000 (£528,000) and earnings per share worked through at 0.37p (0.56p).

COMMODITIES AND AGRICULTURE

Most CIS alumina plants 'to become uncompetitive'

By Kenneth Gooding, Mining Correspondent

MOST ALUMINA plants in the Commonwealth of Independent States will become highly uncompetitive as the former Soviet Union allows its energy prices to rise to world levels, some western analysts suggest.

Only two of the CIS's ten alumina plants – Niklaev in the Ukraine and Pavlodar in Kazachstan – will have any chance of competing with western producers if they have to pay the full cost of energy.

Each of these has the capacity to produce 1m tonnes a year of alumina, the raw material smelted to produce aluminium. Total alumina capacity in the CIS is about 5.35m tonnes. Western production last year was 35.2m tonnes.

Industry analysts point out that the CIS is under pressure from the International Monetary Fund to lift its energy costs as part of the economic reform programme on which further IMF financial aid depends.

They calculate that, with full-priced energy, the cost of producing alumina in the CIS smelters ranges from $220 a tonne to $400 a tonne. This compares with an average cost of $120 a tonne in Australia and between $180 and $200 in other western countries.

Analysts say not one of Russia's alumina plants will be competitive. They are at Pikalevo (300,000 tonnes a year capacity); Volkhov (50,000 tonnes); Tikvin Plant, Boksitogorsk (350,000 tonnes); Bogoslovsk (900,000 tonnes); Kamensk (300,000 tonnes) and Acinsk (1m tonnes).

Nor would Ukraine's smaller plant at Saporoshye (250,000 tonnes) or the Kirovabad unit in Azerbaijan (200,000) be economic.

Observers point out that the former Soviet Union's aluminium industry was mainly established to satisfy the country's military needs, no matter what the cost. About 75 per cent of aluminium was used for defence or aerospace equipment or related applications.

The CIS would also face difficulties if it wanted to import low-cost alumina from western producers to substitute for its own production. Not only is there not enough equipment at the ports or rail cars to handle a big increase in alumina imports, but the material would have to be transported about 5,000 km (3,000 miles) from port to the CIS's most-efficient aluminium smelters in Siberia.

This is roughly equivalent to a journey from one side of the US to the other and analysts suggest it would add about $150 a tonne to the cost of alumina by the time it reached the smelters.

Chilean gold mine to close

By Leslie Crawford in Santiago

CHOQUILIMPIE, Chile's third largest gold mine, will be closed down at the end of the year as it has run out of reserves of gold oxides. The operators say, however, that they will attempt to extend the life of the mine with a project to extract the more difficult gold sulphides.

The pioneer high-altitude mine, located in the Andes close to the Bolivian border, is owned by Royal Dutch/Shell's Billiton, Northgate Exploration and Citibank. It began production in mid-1988 and produced 100,000 ounces of gold a year between 1989 and 1991 – a tenth of Chile's total output. But further exploration failed to uncover new oxide reserves and production is set to fall to 65,000 ounces this year.

Choquilimpie was refused permission to continue prospecting in surrounding areas, as the mine is located in the middle of a nature reserve.

Mr Jorge Chamy, Choquilimpie's general manager, said extraction of gold oxides would come to a halt at the end of the year because the current low world prices for gold made the operation unprofitable. However, he said the owners were studying new alternatives to keep their $32.7m investment alive, including the mining of gold sulphides.

NY exchanges plan new home

By Barbara Harrison in Chicago

THREE NEW York commodities exchanges have agreed on a plan to build a new headquarters and trading facility in lower Manhattan.

The Coffee, Sugar and Cocoa Exchange, the Commodity Exchange (Comex), and the New York Cotton Exchange have approved a plan that will cost about $150m and be funded through a combination of private finance and the New York city and state money.

City and state funding has been offered because the project is expected to keep some 9,000 jobs in New York. The New York State Urban Development Corporation will invest $27m and New York city will provide a $26m grant. The city will also provide a $22m capital contribution which will be recouped through a combination of enhanced rent and payments in lieu of taxes.

The new seven-storey building will have 51,000 sq ft of column-free trading floor, more than twice the size of the floor in the World Centre, which the three exchanges share at present with the New York Mercantile Exchange, the largest New York market.

Nymex will not be following its neighbours to their new home, but will look for its own new trading space independently. It has favoured New Jersey as a location.

Brazilian officials set for coffee talks in Colombia

By Bill Hinchberger in Sao Paulo

BRAZILIAN AND Colombian officials will meet next Monday to prepare for the next round of talks on the International Coffee Agreement, which begin in London on September 21. Mr Celsius Lodder, director of the Brazilian Department of Supply and Prices, one of the leaders of the Brazilian delegation, said that the two countries commonly meet to exchange ideas prior to the London encounters.

Producing countries are frustrated at the lack of progress in the talks, especially as prices now stand at 17-year lows.

Mr Lodder said that Brazil and Colombia, the two biggest producers, would not be discussing a change in position at next week's meeting. "We don't think that a unilateral producers' accord would be appropriate," he added.

Greek growers set for record cotton and tobacco harvests

By Kerin Hope in Athens

GREEK COTTON and tobacco production are forecast to reach record levels this year after farmers in the north of the country switched crops because of a winter drought.

The cotton crop is expected to reach 875,000 tonnes, a 30 per cent rise from 675,000 tonnes last year. More than 350,000 hectares were planted with cotton this year, compared with about 230,000 in 1991.

"The winter wheat crop this year in Thrace was poor because of reduced rainfall, so a much bigger acreage than usual went to cotton," said a Cotton Board official.

Northern farmers, who grow most of the field crops produced in Greece, are now more prepared to switch away from cereals. Their incomes have declined sharply following reduced harvests resulting from severe drought in three out of the past four years.

Greek cotton production doubled over the past decade, thanks to improved methods of irrigation and extensive mechanisation. But the crop has remained at about 650,000 tonnes annually for several years as demand from the local textile industry tapered off.

This year's tobacco crop is forecast at 173,000 tonnes, an 8 per cent increase from 160,000 tonnes in 1991. The area planted rose from 84,000 to 95,000 ha, according to the Tobacco Board.

For the first time, production of the Oriental tobacco varieties traditionally grown in Greece is expected to show a slight decline this year.

More farmers are growing the Virginia and Burley varieties, which sell more quickly on the local market. Production of Virginia tobacco is expected to rise this year by 50 per cent to 60,000 tonnes. Production of Burley is likely to reach 15,000 tonnes compared with 9,000 tonnes last year.

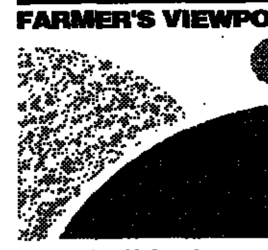
The government has been encouraging the move away from Oriental varieties by providing incentives for farmers to build facilities to dry and store Virginia tobacco.

Cotton and tobacco are among Greece's highest-earning agricultural exports. Cotton exports amount to $110m in an average year, while tobacco exports are worth more than $140m a year.

Running faster just to stand still

Quality assurance schemes may soon become necessary for survival

FARMER'S VIEWPOINT



By David Richardson

WHEN COMMODITY prices fall and production costs continue to rise producers of those commodities have to respond. The two most positive options are to attempt to cut costs and/or to seek to increase receipts. The third, giving up the struggle and getting out of the business, is being chosen by about 100 UK farmers each week, either voluntarily or because they have been declared bankrupt.

I am told that this is the operation of market forces. Having been a subsidised farmer all my life, I am not really supposed to understand these things. But I am learning fast.

The Ministry of Agriculture's own records show that on average UK farm incomes have fallen in real terms by 50 per cent during the last decade. Furthermore, it has been calculated by the National Farmers' Union that the effect of the recently agreed reform of the European Community's common agricultural policy will be to reduce those incomes by a further 16 per cent over the next three years.

To survive till now has already meant severe cost-cutting for most farmers and this is beginning to show in such things as the advancing age of tractors and the increasing breadth of untrimmed hedges. Those who seek to continue farming, against the apparent odds, will need to reduce expenditure still further. Last year alone, 6,000 farm workers lost their jobs on farms and the manpower exodus seems set to continue.

While all this has been going on, however, the leading thinkers of the various sectors of the industry have been attempting to find ways of increasing income from commodities sold. It is called better marketing, another concept that is supposed to be foreign to most farmers.

In simple terms, they have sought to identify the qualities consumers most desire in their food and to produce to those criteria. Chief arbiters in most of this have been the big supermarkets, which now claim to retail something between 60 per cent and 70 per cent of all the food consumed in Britain.

The "intelligence" the multiples are feeding back to producers is that the average consumer is now becoming concerned about the environmental and welfare implications of the way their food is produced, as well as the long-standing and vital need to be sure of its absolute safety for themselves and their families.

I am bound to say that, while I am not surprised that the supermarkets put esoteric qualities forward as priorities, I have some doubt as to their total accuracy. Some months ago, I decided to do an unauthorised straw poll in my local superstore on why people chose particular types of eggs.

On the shelves were free-range eggs, laid by hens which had access to open grassland, which were the most expensive; barn eggs, produced by hens kept inside on deep litter, which were less expensive; and so-called fresh eggs, clearly indicating that they had been produced by hens in battery cages, which were the cheapest.

Frankly, I was amazed at the apathy of the shoppers. Some obviously did not look at the labels or the prices, merely picking up whatever came most easily to hand. Others thought fresh eggs must be best, because the rest did not have "fresh" written on the packets. But most, when asked which eggs they would choose, simply said: "The cheapest". Only two ladies out of the two dozen or so that I questioned mentioned anything about battery cages and welfare.

My conclusion from this highly unscientific survey is that it is possible that the supermarkets themselves, out of concern for their own public images, dictate the criteria for production standards far more than their trusting customers.

Nevertheless, in the search for a better price for their beef cattle, their lambs, their pigs and their poultry products, groups of farmers, seeking to steal a march on their more traditional neighbours, have, over the last year or two, been developing quality assurance schemes. These involve producing animals to specified standards, which they perceive coincide with consumer demand. They include welfare, feed ingredients and slaughter conditions that are usually better than the law requires. In return the producers hope to earn a small premium for their stock.

There are now so many such schemes – each supplying its particular niche market, but still, in total, only representing a minority of farmers – that the whole situation is becoming confused. Pleas are already being made by buyers to try to bring about some harmonisation of the standards.

Indeed, to my certain knowledge, the pig industry is attempting to achieve just that, and I suspect that those who produce other classes of livestock may feel the need to do something similar. If they succeed, however, they will, of course, erode the premiums being paid for individual schemes.

It seems inevitable to me that, as such quality assurance schemes spread across the industry, the standards they set will tend become the norm rather than the exception. And once supermarket buyers discover that they can readily acquire the quality and the standards they have set, they will be unwilling to pay premium prices.

Only by by making the standards more difficult to achieve will those who began the quality race be able to maintain their price premium. It has to be recognised, moreover, that standards may be tightened anyway, to satisfy the fickle and changing demands of supermarkets and consumers.

That is not likely to prove profitable for producers because most new restrictions placed on production methods will either add to costs or reduce efficiency. The whole quality assurance business is a treadmill that may become more onerous as time passes.

But that is no reason for a farmer not to get involved in such a scheme. Not if he hopes to survive in business, that is. For I predict that, before very long, farmers who do not comply with some recognised assurance scheme will have difficulty in selling their stock at all. And if they are able to get rid of it, the price they get will be at a discount to that which is quality-assured.

In short, those farmers who survive will have to run faster to stand still. The rest, who are unable to stand the pace, will probably swell the 100 a week who are already getting out of the business.

Report urges upgrading of NZ wool exports

By Terry Hall in Wellington

NEW ZEALAND should double the amount of value-added processing of wool by the year 2000 in a bid to ensure the long term viability of the industry, according to a wide-ranging industry study.

It said the industry must develop more "higher value wool" promote a distinctive New Zealand wool brand and sell aggressively into new markets.

The report was initiated by Mr John Falloon, the minister of agriculture, who last year called for long term strategies to be evolved to bolster the declining fortunes of the wool industry. This followed the collapse in prices after Australia suspended its price support system in February 1991, causing New Zealand to do the same. Other problems related to the virtual end of sales to eastern Europe and the former Soviet Union, because of currency problems, and erratic buying from China.

Adding to the difficulties have been wild variations in price. The average wool price peaked at NZ$7.40 a kilogram in October 1988, before plummeting to NZ$3.50 in February last year, hitting NZ$3.70 in October before rebounding to $NZ5.45 earlier this year. This season, which began three weeks ago began with the indicator at NZ$4.71 and rose to NZ$4.82 (£1.35) at Thursday's sale in Dunedin.

The report was unusual in that it was the first in which all sectors of the New Zealand trade – farmers, the Wool Board, and brokers – co-operated. It highlighted the declining state of the wool market over the past two decades.

It said that sheep farming profits were at their lowest level for at least two decades. The poor profitability of wool growing was being reflected in falling output that would erode the benefits for New Zealand of being the dominant supplier of certain types of wool.

The report said that the industry must aim for prices to climb above NZ$6 a kilogram, a level considered necessary to sustain production. It suggested that farmers should concentrate on producing higher value wool, especially fine and premium types.

Greater efforts should be made to boost the amount of wool scoured before export to 85 per cent by 2000. It said the New Zealand industry must manufacture 10 per cent of the clip to final product stage: at present only 4 per cent is treated this way. A further 10 per cent should be turned into intermediate products such as carpet yarn.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER rallied on Comex, with the active September contract jumping by more than 3.50 cents a lb in late trading on heavy fund buying. One trader cited trade short covering prompted by an oversold condition last week. Another trader said locals were caught short and had to cover their positions. The trade was continuing to buy on both the LME and Comex, he said. Prices were underpinned by the continued Polish copper workers strike and improved European demand. **ZINC** again found good buying on any dip on the LME, with buyers further encouraged by copper's surge. **ALUMINIUM** was supported by talk that the Bonneville Power Administration is again mulling the possibility of reducing power to aluminium smelters in the US Northwest. New York's arabica **COFFEE** futures were down to fresh 17-year lows as news of talks between Colombia and Brazil had little impact on trading. Nearby September was down more than 2 cents in late trading at 48.30 a lb. **GOLD** edged ahead on the London bullion market. Initial reports of heightening tension between the US and Iraq were mildly supportive, but it hardly budged on later news of a successful UN arms inspection mission.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.85-7.90y	-.025
Brent Blend (dated)	$19.90-0.95	-0.05
Brent Blend (Oct)	$20.00-0.05	-.025
W.T.I (1 pm est)	$21.25-2.30y	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$217-219	
Gas Oil	$178-180	
Heavy Fuel Oil §§	$85-86	+1
Naphtha	$192-193	
Petroleum Argus Estimates.		

Other		+ or -
Gold (per troy oz)♣	$337.30	+1.85
Silver (per troy oz)♣	380.5c	-1
Platinum (per troy oz)	$347.75	+1.5
Palladium (per troy oz)	$82.35	-0.15
Copper (US Producer)	115.50c	
Lead (US Producer)	40.0c	+0.6
Tin (Kuala Lumpur market)	16.65r	-0.39
Tin (New York)	312.5c	-1
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	109.99p	-0.94*
Sheep (live weight)†♠	73.45p	-0.43*
Pigs (live weight)†	80.78p	+1.42*
London daily sugar (raw)	$261.0w	+2.5
London daily sugar (white)	$288.0w	+2
Tate and Lyle export price	£244.5	+1.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£148.0	-3.5
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	51.50p	+0.5
Rubber (Oct)♥	51.50p	+0.5
Rubber (KL RSS No 1 Jul)	220.5r	+1
Coconut oil (Philippines)§	$492.5t	+17.5
Palm Oil (Malaysian)§	$377.5y	-2.5
Copra (Philippines)§	$322.5	
Soyabeans (US)	£135.0	
Cotton "A" index	59.05c	+0.1
Wooltops (64s Super)	376p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct w-Aug/Sep y-Sep z-Oct/Dec. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices §§ Correction for 14/8/1992 $84-85.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	212.40	211.00	212.80 210.40
Dec	206.00	206.00	203 00
Mar	201.80		201.00
may	204.00		203 40
White	**Close**	**Previous**	**High/Low**
Oct	266.00	265.50	266.00 263.50
Dec	261.00	261.00	259.50
Mar	264.00	264 50	264 00 263.00
May	268.20	268.50	267.50 267.00

Turnover: Raw 231 (31) lots of 50 tonnes. White 818 (1630) Paris- White (FFr per tonne): Oct 1319.17 Dec 1311 88

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Oct	20.05	19.95	20.13 19.94
Nov	20.02	19.94	20.08 19.94
Dec	19.98	19.92	19.98 19.90
Jan	19.86	19.83	19 84 19.82
Feb	19.72	19.70	19.74 19.70
Mar	19.62	20.00	19.60
IPE Index	20.02	19.96	20.02

Turnover 14491 (24939)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Sep	182.25	182.00	184.25 181.50
Oct	186.25	186.00	188 00 185.25
Nov	188.25	188.25	189.25 188.00
Dec	190.25	190.25	191.25 189.50
Jan	189.50	190.00	191.25 189.25
Feb	186.00	185.75	187.00 185.75
Mar	182.25	182.50	184.00 183.00
Apr	179.50	179.00	181.00 179.50
May	178.25	178.00	177.75

Turnover 11093 (15596) lots of 100 tonnes

TEA

Demand continued strong and general reports the Tea Broker's Association. Landed brightest East African remained fully firm but good mediums showed some irregularity following quality. Other descriptions tended dearer particularly Tanzanias and the brighter teas from Central Africa. Offshore good demand at dearer rates with brighter Kenyas often showing advances of 4 to 6p per kilo. The highest price realised this week was 203p for a Rwanda pd. Quotations: quality 176p, nom good medium 140p, medium 127p, low medium 80p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	600	613	610 598
Dec	629	644	641 627
Mar	658	674	670 658
May	676	693	689 676
Jul	694	712	706 693
Sep	713	728	724 721
Mar	741	781	747 741
May	769	804	770

Turnover 4067 (2004) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Aug 14 778.07 (791.30) 10 day average for Aug 17 800.40 (801.03)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Sep	709	704	709 699
Nov	729	723	730 717
Jan	744	735	744 735
Mar	755	748	750 743
May	770	781	760
Jul	784	776	772

Turnover:2205 (2686) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Aug 14 Comp. daily 44.98 (45.14) 15 day average 46.59 (46.86)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	61.5	61.0	61.5 59 5

Turnover 110 (91) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Oct	118.50		

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Aug	1090	1082	1090 1083
Sep	1135	1130	1144 1130
Oct	1215	1210	1225 1215
Jan	1251		1251 1248
Jul	1130		1130
BFI	1070	1065	

Turnover 104 (44)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	112.90	113.00	112.90 112.90
Nov	115.60	115.55	115 60
Jan	119.40	119.30	119 40 119 30
Mar	122.40	122.50	122.40
May	125.45	125 50	125 45
Barley	**Close**	**Previous**	**High/Low**
Sep	109.40	109.45	109 40 109.30
Nov	112.70	112.75	112.70 112.60
Jan	116.50	116.50	116 50 116.45
Mar	119.40	119.25	119.40
May	121 50		121.50

Turnover: Wheat 115 (203). Barley 101 (34). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	105.0	105 0	
Sep	105.0	105.0	104 7
Oct	104.5	105 0	104 0
Nov	104 5	104.5	104 0

Turnover:11 (29) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 52,448 lots
Cash	1297-98	1299-300	1299/1298.5	1295.5-99		
3 months	1320-20.5	1322.5-3	1324/1315	1321-21.5	1324-25	180,294 lots
Copper, Grade A (£ per tonne)						Total daily turnover 34,886 lots
Cash	1288.5-89.5	1294.5-5.5	1287	1287-87.5		
3 months	1313.5-14	1316-7	1319/1310	1311-11.5	1319-20	147,254 lots
Lead (£ per tonne)						Total daily turnover 4,957 lots
Cash	327.5-28 5	328 5-9.5	329/328.75	328.75-29		
3 months	338-8.5	338-9	340/338	338.5-39	340-41	29,745 lots
Nickel ($ per tonne)						Total daily turnover 6,314 lots
Cash	7220-30	7245-55	7240/7230	7235-40		
3 months	7300-05	7320-5	7350/7280	7310-15	7285-90	25,180 lots
Tin ($ per tonne)						Total daily turnover 3,459 lots
Cash	6720-30	6790-800	6725/6720	6725-30		
3 months	6760-65	6810-20	6780/6740	6760-70	6760-65	12,496 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 14,454 lots
Cash	1348-49	1336-7	1340	1340-41		
3 months	1330-31	1329-30	1335/1321	1325-26	1324-26	66,654 lots

LME Closing £/$ rate: SPOT: 1.9260 3 months: 1.8945 6 months: 1.8641 9 months: 1.8358

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	337.20-337.40	
Opening	336.85-337.15	
Morning fix	337 50	175.919
Afternoon fix	337.40	175.391
Day's high	337.80-338.00	
Day's low	336.85-337.15	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.34	6 months	2.46
2 months	2.40	12 months	2.63
3 months	2.41		

Silver fix	p/troy oz	US cts equiv
Spot	198 75	382.00
3 months	203.70	385.00
6 months	208.85	388.25
12 months	219.35	398.15

GOLD COINS

	$ price	£ equivalent
Krugerrand	338 50-338.50	175 00-176.00
Maple leaf	347.10-349.35	-
New Sovereign	82.00-83.50	43.00-44.00

TRADED OPTIONS

Aluminium (99 7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	60	88	3	8
1300	19	53	9	22
1350	3	27	42	alu
Copper (Grade A)	**Calls**		**Puts**	
2450	63	91	6	46
2500	29	64	22	69
2550	9	44	44	86
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
650	59	86		7
700	13	50	4	21
750		25	41	46
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
600	25	64	1	10
625	7	47	8	18
650	1	33	27	29
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1950	32		15	
2000	16		35	
2050	7		57	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	336.9	334.8	337.1	336.6
Sep	337.1	335.0	0	0
Oct	338.2	336.1	339.5	337.5
Dec	339.8	337.6	340.4	339.2
Feb	341.6	339.5	342.0	341.0
Apr	343.2	341.1	343.4	343.0
Jun	344.9	342.8	0	0
Aug	346.6	344.7	346.7	346.7
Oct	348.6	346.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	347.1	344.2	348.0	344.5
Jan	345.6	342.5	347.0	344.1
Apr	346.4	343.3	347.5	346.5
Jul	347.4	344.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	378 0	378.4	0	0
Sep	378.7	379.2	381.5	377.0
Oct	380.6	381.1	0	0
Dec	382.3	382.8	385.5	380.5
Jan	383.6	384.1	0	0
Mar	386.2	386.7	388.5	385.0
May	388.9	389.4	0	0
Jul	391.4	391.9	390.5	390.5
Sep	394.4	394.9	395.0	394.5
Dec	398.8	399.3	400.0	398.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	115.20	111.00	115.20	110.55
Sep	115.40	111.30	115.60	110.80
Oct	115.40	111.55	116.00	112.00
Nov	115.40	111.70	0	0
Dec	115.40	111.70	115.40	110.60
Jan	115.00	111.30	0	0
Feb	114.40	110.80	0	0
Mar	114.00	110.60	113.80	110.00
Apr	113.05	109.75	0	0
May	112.60	109.35	112.10	108.85

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Sep	21.45	21.28	21.48	21.22
Oct	21.35	21.22	21.38	21.14
Nov	21.28	21.15	21.25	21.08
Dec	21.20	21.07	21.22	21.00
Jan	21.11	20.98	21.10	20.93
Feb	21.02	20.89	20.99	20.91
Mar	20.92	20.79	20.89	20.81
Apr	20.82	20.69	20.75	20.71
May	20.72	20.59	20.67	20.61
Jun	20.62	20.49	20.60	20.51

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Sep	5935	5890	5960	5870
Oct	6039	5999	6050	5975
Nov	6152	6108	6155	6095
Dec	6262	6218	6270	6210
Jan	6305	6263	6305	6260
Feb	6215	6178	6210	6175
Mar	6010	5973	6005	5970
Apr	5820	5788	5820	5805
May	5685	5653	5680	5680
Jun	5600	5568	5580	5575

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	991	993	1002	975
Dec	1049	1053	1062	1035
Mar	1100	1100	1104	1088
May	1132	1136	1135	1128
Jul	1163	1164	0	0
Sep	1193	1194	0	0
Dec	1228	1229	0	0
Mar	1264	1265	1260	1260
May	1292	1293	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	48.25	50.50	50.95	48.10
Dec	51.10	53.40	53.80	51.00
Mar	53.70	56.05	56.40	53.65
May	57.80	60.10	60.40	57.70
Jul	60.25	62.65	62.40	60.25
Sep	62.35	64.70	64.70	64.00
Dec	66.00	68.75	68.00	66.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.53	9.46	9.64	9.38
Mar	9.13	9.07	9.15	9.05
May	9.10	9.00	9.12	9.03
Jul	9.08	9.00	9.05	9.00
Oct	8.97	8.95	8.96	8.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	59.98	59.45	60.00	59.40
Dec	57.57	57.28	57.60	57.05
Mar	58.57	58.36	58.65	58.10
May	59.05	58.85	59.15	58.75
Jul	59.45	59.25	59.65	59.25
Oct	60.55	60.60	0	0
Dec	60.60	60.76	60.65	60.65

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	112.45	112.05	112.70	111.55
Nov	108.75	109.00	109.00	108.25
Jan	108.05	107.95	108.50	107.50
Mar	107.90	107.75	108.50	107.75
May	108.35	108.25	0	0
Jul	107.85	107.75	108.00	107.75
Sep	107.85	107.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug.17	Aug 14	mnth ago	yr ago
1525.7	1522.5	1557.9	1644.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.14	Aug 13	mnth ago	yr ago
Spot	115.96	115.82	118.05	117.68
Futures	114.85	114.57	119.57	120.42

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	554/6	549/0	556/4	550/0
Sep	553/2	547/6	554/0	548/0
Nov	548/4	545/0	550/4	545/0
Jan	556/0	552/4	557/6	553/2
Mar	563/4	560/4	565/0	560/6
May	570/4	567/4	572/4	568/0
Jul	576/2	573/4	578/0	574/4
Aug	576/0	572/0	578/4	575/0
Nov	577/6	575/0	578/0	575/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.56	18.33	18.56	18.36
Sep	18.56	18.38	18.62	18.38
Oct	18.68	18.52	18.74	18.56
Dec	18.99	18.82	19.08	18.85
Jan	19.15	19.02	19.20	19.02
Mar	19.45	19.31	19.50	19.34
May	19.75	19.59	19.78	19.64
Jul	20.01	19.83	20.02	19.90
Aug	20.13	20.00	20.20	20.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	172.5	171.1	172.6	171.3
Sep	173.2	171.9	173.5	172.3
Oct	189.9	188.9	190.4	189.0
Dec	188.7	187.8	189.7	188.0
Jan	188.4	187.4	188.9	187.8
Mar	187.5	187.0	188.7	187.3
May	187.5	187.5	188.0	187.2
Jul	187.8	187.8	188.8	187.7
Aug	189.0	188.3	189.5	189.0
Sep	189.0	0	189.5	189.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	223/2	219/4	223/4	219/0
Dec	226/0	222/6	226/2	221/6
Mar	235/0	231/6	235/4	231/0
May	241/0	238/0	241/2	237/0
Jul	245/2	242/4	245/4	241/2
Sep	245/4	241/6	246/4	241/0
Dec	247/4	245/0	247/4	244/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	306/6	306/4	307/0	302/2
Dec	317/6	317/0	318/0	313/0
Mar	323/6	323/2	324/4	319/4
May	321/0	321/4	321/0	318/0
Jul	311/4	310/6	312/4	307/6
Sep	317/4	316/0	317/4	317/4
Dec	327/4	325/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.950	74.550	74.500	73.900
Oct	73.875	74.375	74.350	73.825
Dec	72.575	72.775	72.875	72.500
Feb	71.800	72.050	72.150	71.750
Apr	73.000	73.175	73.250	72.950
Jun	70.025	70.150	70.300	70.025

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	44.075	44.450	44.375	43.950
Oct	39.875	40.350	40.280	39.750
Dec	40.800	40.875	40.825	40.300
Feb	40.600	40.825	40.800	40.400
Apr	39.275	39.600	39.550	39.250
Jun	44.725	44.900	44.850	44.675
Aug	43.450	43.500	43.450	43.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	38.400	38.950	38.875	37.550
Feb	39.775	40.275	40.050	39.600
Mar	39.550	40.100	39.750	39.450
May	40.800	41.800	41.400	40.800
Jul	40.300	40.500	41.050	40.300
Aug	40.250	40.250	[illegible]	40.200

Rally extended in sluggish turnover

By Terry Byland,
UK Stock Market Editor

THE RECOVERY in the UK stock market was extended yesterday as investors continued to hope that Friday's better news on inflation might open the way for lower interest rates and thus prompt recovery in European economies. Equities were helped at the close by reports of a successful outcome to the auction of government bonds.

However, reports on the UK economy remained unconvincing and yesterday's buyers of shares appeared to be mostly professionals wanting stock to meet selling commitments taken on during the market's seven-day slide. The institutions played a cautious role, and trading volume was thin.

The upturn came in the second half of the session, and was led from the stock index futures sector when the September future moved towards the 2,400 mark. In the stock market itself, there were further gains among building and construction shares, and hopes for recovery in the US dollar spurred rises in dollar-orientated issues.

By the close, the FT-SE Index had put on 19.3 for a closing reading of 2,376.1, the best of the day. Seaq volume, in spite of the improvement in the latter half of the session, reached a mere 315.3m shares. Friday's total of 449.7m represented only £820.2m in retail or genuine investment business.

Account Dealing Dates		
First Dealings:		
Aug 10	Aug 24	Sep 7
Option Declarations:		
Aug 20	Sep 3	Sep 17
Last Dealings:		
Aug 21	Sep 4	Sep 18
Account Day:		
Sep 1	Sep 14	Sep 28

*New time dealings may take place from 8.30 am two business days earlier.

These volume statistics tend to confirm that the recovery in share prices since Friday afternoon has been spurred by intra-market business, as marketmaking houses have competed with one another to buy stock ahead of the close on Friday of the equity trading account.

Yesterday's session opened uncertainly, with mixed signals coming from the retail sector. The latest survey of distributive trades from the Confederation of British Industry reported the worst spending figures for a decade. However, this was offset by interim results from Argos, the discount retailer, which disclosed higher sales and some optimistic signs on the outlook for the rest of the year.

The market lost its early gains but managed to rally in lacklustre business. However, the absence of significant profit-taking after Friday's rise was encouraging and share prices began to move forward again.

The rebound in building and construction shares came in spite of a report from the Bank of England that about 1m, or one tenth of the householders in the UK, now have mortgages greater than the market value of their houses. A leading UK estate agent reported that building land has lost 62 per cent of its value over the past three years.

The uncertainty in the market was reflected by comments from equity strategists. Mr Nicholas Knight, the bearish analyst at Nomura Research, said: "The knock-out punch is fast approaching in our opinion – a rise in UK interest rates."

UBS Phillips & Drew says its economic forecasts can no longer be described as suggesting modest recovery "even on the most charitable interpretation".

But Mr Peter Thorne at Nikko believes equities are oversold and represent "excellent fundamental value".

Brighter tone at Argos

SUGGESTIONS from Argos, the catalogue showroom retailer, that the recession may be over the worst and sales are beginning to show signs of recovery added gloss to interim results at the top end of market expectations. The shares advanced 15 to 219p in healthy volume of 1.6m.

However, the company's warning that second-half trading will continue to be tough was not lost on market analysts and most kept their full-year forecasts unchanged at between £60m to £65m. Mr Andy Hughes at Nomura, keeping the shares on hold, commented: "While Argos may have passed its low point in terms of sales, it will not be returning to the sales growth levels of recent years because volumes are so low."

County NatWest's Mr John Richards rates the shares a short-term buy, mainly because, in his opinion, the worst appears to be over. "The group has battened down the hatches and got its costs under control. Although trading will continue tough, we think the shares should hold up and outperform the market."

Siebe squeeze

Engineering group Siebe was one of the best performing FT-SE stocks yesterday as the shares jumped 27 to 631p. However, turnover of 658,000 shares was thin, indicating that the renewed confidence which has sent the market higher has failed to prise institutions away from the sidelines.

Yesterday's rise was attributed mainly to demand from UBS Phillips & Drew, which led to a squeeze. Yet, only last week the shares fell because the same house was said to have had a large seller.

Sentiment was also boosted by a recommendation from Merrill Lynch. The US securities house has moved the stock from a hold to a buy. Explaining the move, Merrill analyst Mrs Jenny Tora said: "The recent falls have been overdone, but in addition, we favour the stock because of its early cycle exposure to the appliance and automobile sector in the US which is showing hesitant signs of recovery."

Health products and services group London International moved ahead 10 to 199p, helped by a recommendation from S.G. Warburg. The house advised clients to buy the stock on a view that it was oversold and the market has become too pessimistic on prospects for its photo-processing operations.

Pharmaceutical issues benefited from the strength on Wall Street. Glaxo, which has full-year results due on September 10, picked up 12 to 724p as US selling subsided and buying in London continued.

Environmental services group Rentokil rose 7 to 154p ahead of Thursday's interim results, which are expected to show a near 20 per cent rise. Analysts forecast profits of £49.5m to £51m for the group versus a previous £42.3m. Cost-cutting, small acquisitions and some margin growth will offset adverse currency movements in driving profits higher.

After registering some of the biggest falls at the end of last week, the building materials sector was the subject of bargain hunting yesterday, but turnover was thin. RMC rallied 24 to 484p, Redland 15 to 424p and Rugby 12 to 198p. Among construction issues, Berkeley Group gained 6 to 210p and Persimmon 12 to 202p.

British Gas saw good two-way business on a dull day and closed a halfpenny firmer at 241½p with 11m traded.

Insurance broker Sedgwick slipped a further 3 to 144p on worries that it might cut its dividend payout when it announces first-half profits today. The fears arose from a Sunday newspaper article which said Sedgwick may reduce its dividend by as much as half to 2p a share in the face of serious trading problems, particularly in the US. Analysts expect the group to post profits of between £54m and £63m, against £65.3m in the first half of 1991.

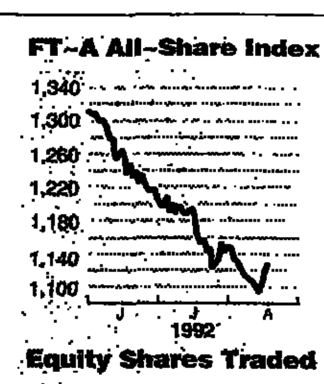
Midland Bank owner HSBC fell 7½ to 327½p, reflecting weakness in the Hong Kong market.

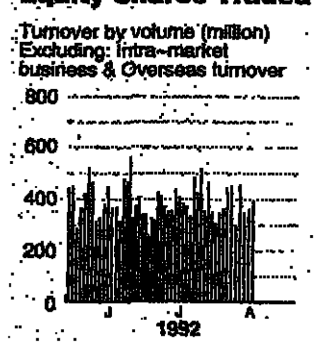
Tobacco and insurance conglomerate BAT Industries climbed 23 to 746p, responding to the better results than expected disclosed last week by leading insurance groups. Results from General Accident and Commercial Union highlighted prospects for Eagle Star, BAT's insurance subsidiary, said analysts.

A rash of buy recommendations following third-quarter results on Friday failed to lift Hanson and the shares closed 2 lower at 193¼p. Selling in New York was said to be keeping them under pressure.

Most analysts are looking for full-year profits of between £1bn and £1.05bn and argue that the shares are cheap. Nevertheless, the stock is virtually unchanged against the FT-Actuaries All-Share Index over the past year and some 12 per cent higher than just after the crash of October 1987.

Last week's falls in Guinness were deemed to be overdone at the start of trading yesterday and the shares bounced 16 to 523p. Grand Metropolitan, which had benefited from switching out of Guinness, lost 5 to 420p.





Downgrading in the food manufacturing sector – a constant feature in recent weeks as analysts have responded to poor trading reports – continued yesterday. Hoare Govett cut its profits estimate for United Biscuits by £10m to £185m for this year, and by £12m to £200m for 1993. The shares eased 2 to 292p.

Rumours of downgrades in Unigate and Cadbury Schweppes could not be confirmed but did undermine the shares. Unigate lost 8 to 275p, while the latter shed 4 to 437p. In stores, the Argos results proved a tonic for Kingfisher, and combined with a squeeze the shares were lifted 14 to 453p.

Adverse comment in the weekend press on Thorn EMI undermined the shares, which declined 11 to 693p. Rank Organisation was also dragged lower, dipping 4 to 538p on paltry volume.

Hints that price discounting on holiday packages may not be as bad as feared pushed Airtours forward 11 to 227p. Rival Owners Abroad edged up a penny to 68p.

The announcement of a new finance director at Lucas Industries was greeted nervously and the shares eased a penny to 99p.

Publication of the annual UK engineering directory from Albert E. Sharp, the Midlands-based broker close to the sector, boosted several stocks. These included IMI, 9 higher at 237p, and Vickers, which firmed 3 to 123p.

Gains following Saatchi & Saatchi's positive results last week began to appear overdone and the shares lost 6 to 152p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

■ Other market statistics, Page 20

FINANCIAL TIMES STOCK INDICES

	Aug 17	Aug 14	Aug 13	Aug 12	Aug 11	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.60	88.47	87.96	88.06	88.21	85.53	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.15	104.74	104.19	104.29	104.40	94.50	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ⊕	1766.2	1753.8	1722.2	1715.3	1723.5	2042.6	2149.7 (22/5)	1715.3 (12/8)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	81.6	80.2	81.6	85.6	88.2	177.2	180.6 (10/1)	80.2 (14/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2376.1	2356.8	2318.0	2303.1	2309.6	2617.2	2737.8 (11/5)	2303.1 (12/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1081.06	1074.48	1065.09	1065.14	1068.69	1191.71	1248.79 (11/5)	1065.09 (13/8)	1248.79 (11/5/92)	938.62 (16/1/91)
⊕Ord Div Yield	5.11	5.14	5.23	5.34	5.31	4.64				
⊕Earning Yld % (full)	7.47	7.47	7.62	7.64	7.59	7.70				
⊕P/E Ratio (Net)	17.01	16.92	16.58	16.52	16.62	16.20				
SE Aq Bargains 5.00pm	17,114	18,659	17,071	16,408	18,624	28,314				
Equity Turnover(£m)†	-	820.2	816.9	699.6	1090.8	1009.6				
Equity Bargains†	-	21,150	19,073	18,190	20,227	28,660				
Shares Traded (mil)†	-	399.2	366.7	359.0	471.7	426.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ∆ Nil 15.83.

Ordinary Share Index, Hourly changes — Day's High 1766.8 — Day's Low 1750.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1760.1	1761.1	1756.8	1751.2	1751.2	1750.8	1754.4	1760.8	1766.2

FT-SE 100, Hourly changes — Day's High 2376.1 — Day's Low 2356.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2362.1	2368.4	2363.1	2357.7	2358.4	2359.9	2363.4	2369.0	2374.8

FT-SE Eurotrack 200, Hourly changes — Day's High 1081.51 — Day's Low 1076.99

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1081.20	1079.11	1078.74	1078.57	1077.13	1078.41	1079.80

GILT EDGED ACTIVITY

Indices*	Aug 14	Aug 13
Gilt Edged Bargains	91.0	79.9
5-Day average	82.9	79.6

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
Comm Union	756	475	-2	Lonrho	565	79	+1	Shell Transport	3,200	460	
Cookson	150	133	+1	Lucas	1,700	99	-1	Siebe	658	631	+27
Courtaulds	344	463	+5	MB Caradon	884	230		Slough Ests	914	109	-2
Dalgety	447	386	-4	MEPC	378	344	+9	Smith (W.H.) A	157	411	+5
De La Rue	192	559	+2	Manweb	120	333	+2	Smith & Nephew	705	139¾	+1
Duorn	581	203		Marks & Spencer	3,700	302	-1	SmKl Beecham	1,300	462	
Eastern Elect	420	274	+2½	Midlands Elect	380	312	+1	SmKl Beecham Uts	811	416	+1
East Midland Elect	796	296	+3	NFC	1,900	237	+2	Smiths Inds	214	272	+8
Eng China Clays	579	494	+13	NatWest Bank	2,000	322		Southern Elect	1,900	307	+7
Enterprise Oil	148	345	-2½	National Power	740	230		South Wales Elect	698	360	+11
Eurotunnel Units	432	361	+1	Next	1,600	87	+4	South West Water	18	404	
FKI	347	74	+4	North West Water	769	428	+2	South West Elect	196	301	+4
Fisons	3,500	184	+5	Northern Elect	511	328	+3	Southern Water	215	385	+2
Forte	2,600	134	+1	Northern Foods	2,200	267	+7	Standard Chartd	1,000	400	+7
Gen Accident	249	440		Norweb	1,300	338	+2	Storehouse	294	126	+2
General Elect	3,200	227½	+3½	Pearson	688	331	+6	Sun Alliance	309	247	+5
Glaxo	1,900	724	+12	P & O	888	530	-2	T&N	29	140	+1
Glynwed Int	471	207	+8	Pilkington	1,600	90	+3	TI Group	4,300	369	+2
Granada	148	238		PowerGen	266	250	-1	TSB	944	135	-2
Grand Met	2,200	420	-5	Prudential	1,500	333	-2	Tarmac	5,300	65½	+1½
GUS A	129	1410	+17	RHM	2,200	162	1	Tate & Lyle	1,800	311	+1
GRE	734	129	-2	RMC	250	484	+24	Taylor Woodrow	1,900	52	+2
GKN	806	358	+3	RTZ	553	526	+1	Tesco	1,900	250	+1
Guinness	2,400	523	+16	Racal	3,700	63½	-½	Thames Water	629	416	+2
HSBC (75p shs)	4,900	327½	-7½	Rank Org	135	538	-4	Thorn EMI	1,600	693	-11
Hammerson 'A'	66	216		Reckitt & Colman	525	590	+5	Tomkins	575	434	+12
Hanson	5,700	193¼	-2	Redland	1,200	424	+15	Trafalgar House	2,200	58	+1
Hanson Warrants	583	19	-¼	Reed Intl	774	478	+7	Unigate	412	275	-8
Harrisons Crosfield	174	128	+4	Rentokil	1,300	154	+7	Unilever	543	952	+7
Hillsdown	1,100	118	-2	Reuters	184	1018	+4	United Biscuits	1,900	292	-2
IMI	784	237	+9	Rolls Royce	1,000	137	+4	Utd Newspapers	186	371	
ICI	958	1113	+2	Rothmans	55	1054		Vodafone	1,800	326	+3
Inchcape	373	385	+2	Ryl Bk Scotland	3,000	180	+9	Warburg (SG)	406	421	-2
Kingfisher	1,400	453	+14	Royal Insurance	807	170	+4	Wellcome	1,700	781	+4
Kwik Save	142	646		Saatchi	211	152	-6	Welsh Water	146	458	+3
Ladbroke	1,900	157½	+3½	Sainsbury	911	448	+1	Wessex Water	251	492	+4
Land Securities	785	370	+8	Scottish & New	1,200	444	+4	Whitbread 'A'	38	408	
Laporte	125	502	+2	Scot Hydro-Elect	395	200	-3	Williams Hldgs	1,100	249	+2
Legal & General	376	313	-3	Scottish Power	3,500	184	-3	Willis Corroon	717	191	+6
Lloyds Abbey	303	318	-5	Sears	1,800	69	-1	Wimpey	306	114	+1
Lloyds Bank	1,400	397	+8	Sedgwick	403	144	-3	Wolseley	127	341	+7
LASMO	1,800	148	+1	Seeboard	329	305	-1	Yorkshire Elect	398	344	+3
London Elect	971	296		Severn Trent Water	1,100	395	+2	Yorkshire Water	235	442	+4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A SQUEEZE late in the day led to a firm finish for stock index futures after a volatile session characterised by thin trading, writes Joel Kibazo.

The September contract on the FT-SE opened strongly at 2,381 before moving forward to 2,384 within minutes of the opening. However, the upward momentum failed to hold as dealers focused on falls in gilts and short sterling, together with the negative CBI retail trades survey. This sent the contract falling to 2,362 by mid-morning.

After a bout of sideways trading over the lunch-time period, a squeeze developed in the September future, helping it to rally from the earlier fall, with demand said to have been led by buying from Salomon Brothers. The good early showing by Wall Street sent September further forward before it tailed off just before the close on profit-taking.

September ended at 2,389, just one below Friday's close and around two points above its estimated fair value premium to cash of about 12. Turnover at 8,335 was poor.

Traded options were dull, with volume totalling 24,341 lots. The FT-SE 100 option had 7,125 contracts dealt. Fisons was the busiest stock option on 2,682 lots, with the 180 calls the busiest series.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Aug 17 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Aug 14 Index No.	Thu Aug 13 Index No.	Wed Aug 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	722.52	+1.5	8.15	6.21	15.69	21.23	711.91	701.85	700.44	822.98
2	Building Materials (23)	766.72	+2.9	7.08	7.30	19.22	26.43	745.03	720.83	715.10	1037.20
3	Contracting, Construction (27)	594.39	+1.8	5.89	10.08	36.94	25.20	583.83	567.75	566.11	1111.16
4	Electricals (9)	2132.52	+1.4	8.08	7.05	16.02	72.04	2102.84	2042.04	2023.99	2368.71
5	Electronics (27)	1890.65	+0.8	8.49	4.56	14.69	45.74	1875.54	1859.64	1862.63	1706.66
6	Engineering-Aerospace (6)	301.81	+1.7	12.07	8.63	10.48	11.27	296.63	295.12	297.04	411.05
7	Engineering-General (43)	436.64	+1.8	9.31	5.52	13.44	12.47	428.82	427.19	428.90	453.82
8	Metals and Metal Forming (7)	277.82	+0.9	6.18	7.93	23.65	7.18	275.38	275.65	271.26	423.68
9	Motors (14)	304.70	+0.5	8.82	7.74	14.93	12.25	303.11	304.16	303.75	343.40
10	Other Industrial Materials (19)	1572.98	+1.2	7.88	5.28	15.29	38.28	1554.71	1530.73	1527.02	1591.94
21	CONSUMER GROUP (191)	1510.69	+0.7	8.09	3.81	15.17	27.61	1500.45	1479.69	1471.25	1498.86
22	Brewers and Distillers (25)	1940.90	+0.9	8.57	3.77	14.08	37.45	1923.67	1898.73	1891.60	1831.52
25	Food Manufacturing (19)	1146.32	+0.1	9.42	4.61	13.14	26.01	1145.09	1143.10	1140.66	1181.47
26	Food Retailing (18)	2701.82	+0.4	9.03	3.38	14.43	44.92	2689.78	2641.41	2603.77	2575.91
27	Health and Household (24)	3801.49	+1.0	7.29	2.81	15.62	42.42	3763.50	3702.79	3675.22	3571.25
29	Hotels and Leisure (18)	1010.51	+0.2	7.95	6.78	16.35	36.54	1008.75	990.98	1005.03	1294.38
30	Media (27)	1410.75	+0.6	7.17	3.74	17.36	29.47	1401.67	1394.65	1387.63	1426.14
31	Packaging, Paper & Printing (17)	722.06	+1.1	7.14	4.58	16.98	15.69	714.28	709.91	706.05	735.72
34	Stores (34)	954.69	+0.6	7.91	3.91	16.73	16.98	948.71	926.90	917.39	979.81
35	Textiles (9)	586.48	......	8.27	5.29	15.06	15.02	586.65	582.26	582.95	596.46
40	OTHER GROUPS (117)	1198.79	+0.7	10.28	5.66	12.14	35.65	1190.21	1171.68	1160.77	1241.05
41	Business Services (17)	1241.33	+1.5	6.77	4.16	18.04	21.09	1223.57	1197.23	1186.41	1350.72
42	Chemicals (22)	1312.79	+0.4	7.43	5.54	16.71	45.57	1307.06	1287.13	1282.07	1411.96
43	Conglomerates (10)	1151.80	-0.4	9.93	9.55	12.91	24.98	1156.62	1156.66	1146.62	1448.16
44	Transport (14)	2224.40	+0.2	8.88	5.30	13.89	55.92	2219.62	2166.39	2160.26	2195.38
45	Electricity (16)	1303.95	+0.1	15.21	5.63	8.33	44.58	1302.26	1289.46	1272.06	1195.87
46	Telephone Networks (4)	1404.23	+1.0	10.77	4.70	12.10	46.15	1390.27	1359.79	1350.02	1479.69
47	Water (11)	2773.61	+0.6	16.15	6.24	6.85	86.85	2757.28	2749.64	2648.57	2380.19
48	Miscellaneous (23)	1936.81	+2.0	6.85	5.22	18.32	54.03	1898.28	1859.27	1852.07	1961.47
49	INDUSTRIAL GROUP (483)	1213.95	+0.8	8.81	4.82	14.11	29.03	1203.91	1186.51	1179.11	1251.97
51	Oil & Gas (17)	1817.79	+0.6	8.33	6.71	15.71	68.79	1806.96	1783.85	1773.55	2381.89
59	500 SHARE INDEX (500)	1272.88	+0.8	8.77	5.01	14.25	32.22	1262.64	1244.60	1236.90	1348.60
61	FINANCIAL GROUP (84)	671.74	+0.6	-	6.63	-	25.18	667.90	656.42	653.32	805.77
62	Banks (9)	902.02	+0.9	7.10	6.11	20.28	36.70	894.21	878.84	878.52	942.92
65	Insurance (Life) (6)	1381.96	-0.6	-	6.44	-	44.26	1390.82	1352.04	1339.82	1556.29
66	Insurance (Composite) (7)	464.77	+0.4	-	6.74	-	13.46	462.84	453.49	441.30	649.40
67	Insurance (Brokers) (10)	679.55	+0.4	11.41	9.56	11.53	31.02	677.06	663.84	698.52	1124.19
68	Merchant Banks (7)	405.24	-0.2	-	5.33	-	12.37	406.20	405.31	404.81	430.37
69	Property (30)	524.56	+1.3	11.43	8.71	11.74	20.85	517.76	511.89	502.17	891.39
70	Other Financial (15)	222.35	+0.1	8.27	7.78	16.37	6.63	222.08	221.97	223.10	247.33
71	Investment Trusts (70)	1053.56	+0.3	-	4.27	-	22.04	1050.07	1046.94	1045.70	1184.67
99	ALL-SHARE INDEX (654)	1128.41	+0.8	-	5.19	-	30.07	1119.79	1103.70	1097.21	1216.23

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Year ago
FT-SE 100 SHARE INDEX‡	2376.1	+19.3	2376.1	2356.8	2356.8	2318.0	2303.1	2309.6	2325.7	2540.5

FIXED INTEREST

	PRICE INDICES	Mon Aug 17	Day's change %	Fri Aug 14	Accrued Interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (23)	121.16	+0.03	121.53	1.58	8.49
2	5-15 years (25)	137.49	+0.06	137.40	1.99	8.74
3	Over 15 years (8)	149.73	....	149.74	2.18	7.62
4	Irredeemables (6)	168.41	+0.84	167.01	3.13	7.34
5	All stocks (62)	135.01	+0.05	135.07	1.90	8.67
	Index-Linked					
6	Up to 5 years (2)	170.94	+0.06	170.85	-0.00	3.25
7	Over 5 years (10)	148.70	+0.06	148.61	0.76	3.09
8	All stocks (12)	150.59	+0.06	150.50	0.65	3.08
9	Debs & Loans (62)	120.92	+0.70	120.08	3.01	6.83

	AVERAGE GROSS REDEMPTION YIELDS		Mon Aug 17	Fri Aug 14	Year ago (approx.)
	British Government				
1	Low	5 years	8.55	8.52	8.88
2	Coupons	15 years	8.86	8.89	9.73
3	(0%-7¾%)	20 years	8.86	8.89	9.73
4	Medium	5 years	9.39	9.40	10.04
5	Coupons	15 years	9.06	9.06	9.92
6	(8%-10¾%)	20 years	8.99	8.99	9.87
7	High	5 years	9.62	9.63	10.23
8	Coupons	15 years	9.26	9.27	10.04
9	(11%-)	20 years	9.16	9.18	9.94
10	Irredeemables	†	9.13	9.20	9.92
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	4.23	4.24	3.99
12	Inflation rate 5%	Over 5 yrs	4.52	4.52	4.37
13	Inflation rate 10%	Up to 5 yrs	3.43	3.44	2.97
14	Inflation rate 10%	Over 5 yrs	4.32	4.32	4.17
15	Debs &	5 years	10.70	10.76	11.72
16	Loans	15 years	10.41	10.50	11.48
17		25 years	10.27	10.34	11.29

‡Opening index 2362.1; 9 am 2368.4; 10 am 2363.1; 11 am 2357.7; Noon 2358.4; 1 pm 2359.9; 2 pm 2363.4; 2.30 pm 2364.7; 3 pm 2369.0; 4.10 pm 2375.6; (a) 4.28pm (b) 10.26am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (6).
AMERICANS (1) CPC, BREWERS & DISTILLERS (1) Bulmer, ENGINEERING GENERAL (1) Pusmec, HOTELS & LEISURE [illegible]

NEW LOWS [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int	Yield Red
"Shorts" (Lives up to Five Years)							
13½pc 1992		100⅝xd	..	102⅛	100⅝	13.46	10.01
Treas 8¾pc 1993		99⅝xd		99⅞	97½	8.31	9.74

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int	Yield Red
Treas 10½pc 1999		105½	+⅜	107½	101½	9.94	9.34
Conversion 10¼pc 1999		104⅝	+⅜	106½	100½	9.80	9.34

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int	Yield Red
Index - Linked							
	(b)					(1)	(2)
Treas 2pc '94	(102.9)	127⅛	+⅛	127⅝	122⅛	2.28	3.86

OTHER FIXED INTEREST

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
US Hldgs		228		252	202	88.4	2.8	17.8
■Ratners	M	12¼	+¼	29	7	36.8	28.1	0.6
6¼p Cv Pf		8½		29	8½	3.43	–	–
◇Reject Shop		58		67	54	5.85	7.2	◆
■Rosebys	L	122	–1	148	121	22.8	4.7	14.0
■Sears	◇	89	–1	113	83	1,839	10.3	18.3
■Smith (WH) A	†	411	+5	484	388	1,113	4.1	14.5
■Stonehouse		126	+2	168	87	516.6	5.3	–
Stylo		105xd		193	105	28.1	3.2	–
■T & S Stores		164	–7	256	164	104.6	4.5	11.5
Tie Rack		41½	+1	49½	27	21.8	1.6	45.5
Upton & Sthn		7		7	6	0.58	–	–
◇Wld of Leather		35	–2	78	35	2.85	–	41.2
◇Wyevale		147	+1	205	145	45.1	3.4	17.8

TELEPHONE NETWORKS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
■BT		358	+4½	368½	305	21,588	5.5	10.9
■ New (partly-paid)		248	+5	267	212	5,558	5.4	10.6
■Cable & Wire		528	..	632	497½	5,818	3.4	15.0

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

TEAS

MINES

MINES - Cont.

	Notes	Price	+ or -	1992 High	low	Mkt Cap£m	Yld Gr's
Diamond and Platinum							
Anglo Am Inv.		£12⅛	—	£21½	£11	1,212	6.2
De Beers Lkd Uts	‡	£8¼	–⅛	£18⅝	£8¼	3,136	‡
40pc Pf.		287	—	985	287	2.20	13.9
Impala Plat.	‡	571	–9	829	571	349.2	‡
Lydenburg		710	—	882	690	112.5	3.7
Northam Plat.		280	—	432	274	161.3	–
Rustenburg		£9⅛	–⅛	£13⅛	£9¼	1,159	4.8
Central African							
Falcon ZS		16	—	35	16	3.28	26.3
Wankie Col ZS		12	—	17	10	3.84	13.1
Willoughby's		55	—	66	45	2.01	4.9
Pfd		21	—	48	19	1.38	13.4
Zambia Cpr SBD		44	—	61	16	53.9	–
Finance							

GUIDE TO LONDON SHARE SERVICE

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's

AIB Unit Trust Managers Limited (1000)F

Brown Shipley & Co Ltd—Contd.

Brycourt Unit Tst Mgmt Ltd (1400)F

Dimensional Tst Mangmt Ltd (0900)F

Discretionary Unit Fund Mngrs (1000)F

Drummond Fund Mangt Ltd (1000)F

Gartmore Fund Managers—Contd.

Kleinwort Benson Unit Trusts—Contd.

Mercury Fund Managers Ltd—Contd.

Pearl Unit Trusts Ltd (1000)F

Save & Prosper Group (0900)H

Mercury Fund Managers Ltd (1800)H

33 King William St, EC4R 9AS 071-280 2060

American	5	126.4	126.4	134.5	+1.30	0.00
(Accum Units)	5	135.1	135.1	143.7	+1.90	0.00
American Opps	5	51.00	51.00	54.40	+0.42	0.00
(Accum Units)	5	51.70	51.70	55.15	+0.43	0.00
British Blue Chip	5	58.93	58.96	62.90	+1.16	4.24
(Accum Units)	5	67.40	67.45	71.95	+1.34	4.24
Cash *	0	100.6	100.6	100.6		9.72
(Accum Units) *	0	124.1	124.1	124.1	+0.10	9.72
European Growth	5	149.5	149.5	158.3	+1.00	0.56
(Accum Units)	5	160.2	160.2	169.6	+1.00	0.56
European Income	5	58.86	58.86	62.30	+0.27	3.77
(Accum Units)	5	73.66	73.66	77.98	+0.49	3.77
General	5	359.6	361.6	385.8	+6.20	3.32
(Accum Units)	5	668.2	672.1	717.0	+11.6	3.32

PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

Master Trust	6	82.33	82.33	87.58	+1.64	4.25
UK Equity	6	97.99	99.57	105.93	+1.55	4.73
UK Equity Income	6	94.77	96.54	102.70	+1.00	6.11
UK Smaller Co's	6	81.40	84.76	90.17	+0.01	3.35
UK Equity Growth	6	92.83	94.41	100.44	+0.85	5.21
UK Index Tracking F	6	86.86	87.62	93.21	+1.30	4.93
Intl Index Tracking F	6	86.86	87.62	93.21	+0.81	1.64
International	6	141.25	142.81	151.93	+0.76	2.23
European	6	115.40	116.26	123.68	+0.71	1.50
Pan European	6	87.60	88.61	94.27	+0.91	3.35
Nth American	6	115.90	117.11	124.58	+0.95	2.17
Nth Amer Smllr Cos	6	101.98	103.95	110.59	+1.21	0.59
Japanese	6	45.44	46.12	49.06	+0.27	0.72
Pacific	6	110.98	112.64	119.83	-0.49	2.63
South East Asian	6	113.59	115.41	122.78	-1.05	1.40
International Bond	6	102.57	102.70	109.26	+0.31	6.16
Gilt & Convertible	6	98.50	98.70	105.00	+0.70	7.89
Property F	6	66.95	68.83	73.22	+1.02	6.64
Cash Deposit Accum F	0	102.39	102.39	102.39	+0.05	9.33

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust [illegible] charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Century Life Plc – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Funds				
Managed Capital	66.7	70.3		-
Managed Accum	96.8	101.9		-
Property Capital	67.5	71.0		-
Property Accum	97.7	102.9		-
Equity Capital	96.7	101.8		-
Equity Accum.	140.3	147.7		-
Intl Capital	61.5	64.7		-
Intl Accum.	89.1	93.8		-
Fxd Int Capital	122.0	128.4		-
Fxd Int Accum.	176.7	186.0		-
Deposit Capital	122.3	128.7		-
Deposit Accum.	177.4	186.7		-
Langham Harvest	266.6	280.6		-

Equitable Life Assurance Society

Walton St, Aylesbury Bucks HP21 7QW 0296 393100

	Bid Price	Offer Price	+ or -	Yield Gross
European	117.5	123.7	+0.6	-
Far Eastern	273.0	287.4	-1.6	-
Fd of Inv Tsts.	218.8	230.3	+0.3	-
Gilt & Fixed Int.	177.7	187.0	+0.9	-
High Income	250.0	263.2	+0.8	-
Intnl Growth.	139.7	147.1		-
Managed	178.0	187.4	+0.6	-
Money	165.5	174.2	+0.1	-
North American	163.5	172.1	+0.4	-
Pelican	205.7	216.5	+1.0	-
Property	173.2	182.3	+0.2	-
Smaller Companies	113.1	119.0	+0.1	-
Special Sits	168.4	177.3	+0.6	-
Pension Funds				
European	109.5	115.3	+0.8	-
Far Eastern	297.5	313.2	-2.4	-
Fd. of Inv. Tsts	238.4	250.9	+0.4	-
Gilt & Fixed Int.	188.7	198.6	+0.9	-
High Income	287.2	302.3	+1.3	-
International Growth	137.8	145.0		-
Managed	196.0	206.3	+0.6	-
Money	216.1	227.5	+0.3	-
North American	163.6	172.2	+0.5	-
Pelican	219.5	231.0	+1.4	-
Property	185.8	195.6	+0.3	-
Smaller Companies	136.1	122.2	+0.3	-
Special Sit	166.4	175.2	+0.9	-

Equity & Law

Amersham Road High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	693.6	730.1	+7.5	-
Higher Income Ser 5	687.5	723.6	+7.9	-
Property Ser 5	469.3	494.0		-
Fixed Interest Ser 5	342.4	360.4	+2.2	-
Index Lnkd Secs Ser 5	148.2	156.0		-
Gtd Deposit Ser 5	270.0	284.2		-
Nth America Ser 5	313.5	329.9	+2.6	-
Far East Ser 5	300.4	316.2	+0.6	-
Europe Ser 5	263.4	277.2	+1.8	-
International Ser 5	371.3	390.8	+2.7	-
Balanced Ser 5	507.4	534.1	+4.0	-
Reserve Ser 5	125.9	132.5	+0.4	-
Opportunity Ser 5	95.4	100.4	+1.0	-
Pens Equity Ser 2 (z)	907.1	954.8	+7.5	-
Pens Higher Inc S 2 (z)	197.6	208.0	+1.7	-
Pens Fixed Int S 2 (z)	445.8	469.2	-0.4	-
Pens Index-Linked Ser 2 (z)	185.6	195.3	-0.2	-
Pens Property S 2 (z)	411.2	432.8		-
Pens N America S 2 (z)	128.1	134.8	-0.2	-
Pens Far East S 2 (z)	153.7	161.7	+0.2	-
Pens Europe S 2 (z)	136.3	143.4	+1.1	-
Pens Overseas S 2 (z)	500.6	526.9	+1.6	-
Pens Balanced S 2 (z)	553.7	582.8	+2.7	-
Pens Cash S 2 (z)	384.8	405.0		-
Pens DAF Series 2 (z)	216.9	228.3		-

Henderson Administration(z)

3 Finsbury Ave London EC2 M2PA 071-638 5757

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	289.2	307.7	+3.4	-
Fixed Interest	65.8	70.0		-
N. American	238.5	253.8	-0.6	-
Far East	308.7	328.5	-1.7	-
Global Managed	298.6	317.7	+2.4	-
Deposit	210.3	221.6	+0.3	-
Prime Res.	132.6	139.6		-
European	178.2	189.6	+0.9	-
Pension Funds				
UK Equity	316.7	337.0	-1.8	-
Fixed Interest	233.3	248.2	-0.2	-
Special Sits	236.3	251.4	+0.8	-
N. American	153.5	163.3	-0.4	-
Far East	240.7	256.1	-0.4	-
Managed	272.5	289.9	+1.1	-
Deposit	256.7	270.3	+0.4	-
European Pension Fund	205.5	218.7	+1.1	-

Hill Samuel Life Assur. Ltd

NLA Tower, Addiscombe Rd, Croydon 081-686 4355

	Bid Price	Offer Price	+ or -	Yield Gross
Security Fund	353.2	373.8	+2.6	-
British Fund	378.4	400.5	+3.4	-
International Fund	342.2	362.2	+3.6	-
Dollar Fund	250.6	265.2	+3.1	-
Capital Fund	330.9	350.2	+2.2	-
Income Fund	469.0	496.3	+4.1	-
Property Series A	386.0	408.5		-
Property Series 5	623.0	654.2		-
Financial Fund	329.9	349.2	+2.0	-
Managed Series A	394.1	417.1	+2.9	-
Managed Series C	232.6	246.2	+1.7	-
Managed Series 5	701.8	738.8	+5.1	-
High Yield Fund	427.1	452.0	+2.5	-
Money Series A	262.1	277.4	+0.1	-
Money Units	344.2	362.4	+0.1	-
Equity Fund	430.3	455.4	+3.8	-
Fixed Intl Fund	306.0	323.9	+0.9	-
Indexed Sec. Fd	145.1	153.6	+0.4	-
European Fund	498.2	527.2	+2.8	-
Natural Resc. Fd	185.9	196.8	+1.8	-
Far East Fund	315.8	334.2	+2.6	-
Smaller Cos	295.0	312.2	+0.4	-
Spec. Sits Fund	308.1	326.1	+1.0	-
Manag Cncy Fund	226.2	239.4	+0.1	-
Japan Tech	138.6	146.7	+1.0	-
Global Bond Fund	142.8	151.2	+0.6	-
US Smaller Co's	139.5	147.7	+0.9	-
Pension Fund Prices				

Life Association of Scotland

113 Dundas St Edinburgh EH3 5EB 031-550 5000

	Bid Price	Offer Price	+ or -	Yield Gross
LAS Investment Assurance				
Managed Fund	248.3	261.4	+2.2	-
UK Equity	416.4	438.4	+1.8	-
Property	278.8	293.5		-
Money Market	232.0	244.3	+0.1	-
Fixed Interest	271.5	285.8	+3.3	-
Japan	204.6	215.4	+2.6	-
North America	116.6	122.8	+1.1	-
International	192.8	203.0	+2.1	-
European	185.2	195.0	+1.3	-
Far East	71.5	75.3	+0.1	-
Pension Funds				
Managed	171.4	180.5	+1.5	-
International	142.9	150.5	+1.6	-
Property	219.4	231.0	+0.2	-
Money Market	227.0	239.0	+0.1	-

NEL Britannia Assce Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Specialist Funds				
Barings Convertibles	100.7	106.0	+0.1	-
Barings Eastern	111.0	116.8	-1.0	-
Barings Equity Income	86.1	90.6	+0.3	-
Barings European Growth	104.5	110.0	+0.8	-
Barings German Growth	94.9	99.9	+1.0	-
Barings Japan Growth	70.2	73.9	+0.4	-
Barings UK Smllr Cos	81.7	86.0	-0.4	-
Fidelity 1992 Euro Opp.	96.9	102.0	....	-
Fidelity American	109.9	115.7		-
Fidelity Amer Sp Sits.	120.3	126.6	+0.3	-
Fidelity Asian	111.0	116.8	-1.5	-
Fidelity European	87.6	92.2	+0.3	-
Fidelity Euro Inc.	98.0	103.2	-0.3	-
Fidelity Famous Names	104.7	110.2	+0.5	-
Fidelity Gilt & Fxd Int	111.7	117.6		-
Fidelity Global Conv	102.9	108.3	+0.1	-

Continued on next page

FT MANAGED FUNDS SERVICE

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Pearl Assurance (Unit Funds) Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provident Mutual Life Assc. Assn.—Contd.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (a)

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd (z)

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Windsor Life Assur Co Ltd—Contd.

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Royal Life Intl. Ltd

Royal Life Intl. Ltd—Contd.

Royal Skandia Life Assurance Ltd (z)

Fidelity Money Funds—Contd.

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

Current Unit Trust [illegible] and 48p/minute [illegible] charged at 36p/minute cheap rate. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

GUERNSEY (REGULATED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Eurecu Management S.A.

Europe Plus Investissement (SICAV) (u)

Europe Value Fund (u)

EurOptec (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Five Arrows Intl Bond Fund (u)

Fleming Group

Gartmore Luxembourg S.A.

H.C.M. HYPO Capital Mgt Luxembourg SA

Intermarket Multicurrency Fund

International Bond Trust

International Speciality Fund (u)

INVESCO MIM International Limited

	Bid Price	Offer Price	+ or -	Yield Gross
Aetna Malaysian Growth Fd (Cayman) Ltd				
NAV August 10		+9 2781		-
Alliance Capital				
[illegible]				
Asian Convertibles & Income Fd (Cayman)				
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Managers (Guernsey) Ltd				
BEA Associates				
[illegible]				
Julius Baer Bank & Trust Co Ltd				
Julius Baer Multistock				
Bque Fr Serv & Cr/Europ Inv Mgt Ltd				
Partner Emerging Markets Umbrella Fund				
Asia Class A Jul 31	$10 04		-0 29	-
Asia Class B Jul 31	$10 04		-0 29	-
Global Class A Jul 31	$9 5[illegible]		-0 17	-
Global Class B Jul 31	$9 57		-0 17	-
Baring International Group				
Puma Fd NAV Aug 7	$20 70			-
Chrysalis [illegible] Aug 7	$7 54			-
The Batavia Fund Ltd				
NAV Aug 14		$8 85	+0 01	-
Bermuda Intl Invmnt Mgmnt Ltd				
Anchor Intl	$18 65	18 66		1 19
Forexfund	$8 33	9 50		-
Bda Intl Currency	$17 75	17 93		-
Jac Ocea Spcl Sits	$8 91	9 13		-
Bermuda Int'l Bond Funds				
US Dollar Inc	$10 51	10 63		-
Bermuda Intl Equity Funds				
International (USD)	$14 57	14 87		-
International (Sterling)	£8 82	9 01		-
International (ECU)	Ecu8 70	8 88		-
North American	$11 85	12 10		-

Global Asset Management

North Star Fund Managers – Contd.

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses D-Mark gain

THE DOLLAR surrendered an early gain against the D-Mark yesterday as the foreign exchange markets ignored a series of factors that might have been expected to boost the currency, *writes James Blitz.*

In early European trading, the dollar peaked at DM1.4761 as dealers continued to digest the promising economic news out of Germany. July's figure for wholesale price inflation, down 1.3 per cent on the month, could signal a turning point in the German economy, reducing the need for a Lombard rate rise.

When US trading opened, the good news was forgotten. The dollar dipped well in excess of a pfennig to a low of DM1.4610, and ended in Europe at DM1.4630, down 55 basis points from Friday. Yesterday's close in New York was DM1.4645.

There is still a creeping uncertainty in the market as to where the dollar is going. In its latest currency report, UBS Phillips & Drew said the risks to holding dollars will fall over the next month, supporting the US currency at the upper end of the DM1.4500 to DM1.5050 trading range. Others believe that if this week's figure for July M3 money supply in Germany emerges worse than expected, at 9 per cent or above, the market will test the dollar's historic lows again.

A Bundesbank council member compounded the gloom at the weekend, saying the Lombard rate will only be cut when M3 is back in the 3.5 to 5.5 per cent target range, and inflation is below 3 per cent.

Whatever view is taken, the dollar is undeniably weak. Mr Jim O'Neill, head of research at Swiss Bank Corporation in London, said: "There was talk of new military action against Iraq at the weekend, there was talk of a new fiscal stimulus in the US, and the Republican convention is under way in Houston. All this should have led to a stronger dollar today. It did not."

By contrast, the markets ought to have seen a much weaker pound on the back of even gloomier UK statistics. The Confederation of British Industry announced a sharp year-on-year fall in retail sales in July and the Bank of England said more than 1m households may be trapped in homes that are less than the value of their mortgage loans. But sterling ended ¼ pfennig above Friday's close at DM2.8175. It was nearly a cent stronger against the dollar at $1.9260.

The Italian lira firmed a little as the effect of Moody's downgrading of Italy's foreign debt wore off. The lira closed at L759.0 to the D-Mark after a previous L759.9. The Swiss franc was firmer against the D-Mark at SFr0.899, compared with SFr0.901. A dealer said that uncertainty over European union continued to strengthen the "Swissie's" reputation as a secure haven.

£ IN NEW YORK

Aug.17	Close	Previous Close
£ Spot	1.9245-1.9255	1.9210-1.9220
1 month	1.14-1.13pm	1.08-1.06pm
3 months	3.21-3.20pm	3.23-3.20pm
12 months	11.6-11.5pm	11.7-11.6pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.17	Previous
8.30 am	91.7	91.9
9.00 am	91.8	91.9
10.00 am	91.8	91.9
11.00 am	91.8	91.9
Noon	91.8	91.9
1.00 pm	91.7	91.9
2.00 pm	91.7	91.8
3.00 pm	91.8	91.8
4.00 pm	91.8	91.8

CURRENCY RATES

Aug 17	Bank ♣ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.752772	0.722418
U.S Dollar	3.00	1.45300	1.38726
Canadian $	5.50	1.73372	1.65597
Austrian Sch	7.50	14.9194	14.3262
Belgian Franc	8.50	43.7789	41.9299
Danish Krone	9.50	8.19347	7.84287
D-Mark	8.75	2.12123	2.03552
Dutch Guilder	8.50	2.39760	2.29397
French Franc	10¼	7.21124	6.89953
Italian Lira	13.75	1616.68	1545.54
Japanese Yen	3.25	183.805	174.975
Norway Krone	-	8.38090	8.02321
Spanish Peseta	-	136.319	130.462
Swedish Krona	10.00	7.73577	7.40727
Swiss Franc	7.00	1.91287	1.83007
Greek Drach	19	N/A	251.524
Irish Punt	-	N/A	0.766272

♣ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations * All SDR rates are for Aug 14

CURRENCY MOVEMENTS

Aug 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.8	-20.3
U S Dollar	60.0	-18.4
Canadian Dollar	98.1	-3.1
Austrian Schilling	111.6	+13.2
Belgian Franc	113.4	-0.7
Danish Krone	111.6	+5.3
D-Mark	121.6	+27.4
Swiss Franc	109.7	+17.8
Dutch Guilder	116.6	+17.8
French Franc	106.1	-10.8
Lira	100.0	-19.4
Yen	138.2	+74.5
Peseta	108.2	-17.8

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100) **Rates are for Aug.14

OTHER CURRENCIES

Aug 17	£	$
Argentina	1.9015 - 1.9045	0.9900 - 0.9910
Australia	2.6565 - 2.6585	1.3825 - 1.3835
Brazil	8875.90 - 8880.80	4620.25 - 4620.50
Finland	7.7185 - 7.7415	4.0200 - 4.0230
Greece	345.300 - 350.800	180.260 - 183.140
Hong Kong	14.8685 - 14.8825	7.7355 - 7.7365
Iran	2757.00	1435.00*
Korea(Sth)	1504.05 - 1528.30	787.60 - 793.80
Kuwait	0.56400 - 0.56500	0.29390 - 0.29420
Luxembourg	58.00 - 58.10	30.10 - 30.20
Malaysia	4.8015 - 4.8140	2.4995 - 2.5005
Mexico	5763.00 - 5775.50	3092.00 - 3093.00
N Zealand	3.5655 - 3.5690	1.8550 - 1.8570
Saudi Ar	7.1395 - 7.2165	3.7495 - 3.7505
Singapore	3.0960 - 3.1035	1.6110 - 1.6120
S.Af (Cm)	5.3345 - 5.3470	2.7770 - 2.7790
S.Af (Fn)	7.3365 - 7.3785	3.8170 - 3.8390
Taiwan	48.25 - 48.45	25.10 - 25.20
U.A.E.	6.9905 - 7.0680	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.35 $63.25

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.462	-2.37	6.18	40
Portuguese Escudo	178.735	174.503	-2.37	6.18	38
Belgian Franc	42.4032	41.9299	-1.12	4.83	36
D-Mark	2.05586	2.03552	-0.99	4.70	39
Dutch Guilder	2.31643	2.29397	-0.97	4.68	29
Irish Punt	0.767417	0.766272	-0.15	3.82	-10
Danish Krone	7.84195	7.84287	0.01	3.65	-18
French Franc	6.89509	6.89953	0.06	3.59	-24
Italian Lira	1538.24	1545.54	0.47	3.17	-42
Sterling	0.696904	0.722418	3.66	0.00	-72

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads, the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Aug 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9155 - 1.9270	1.9255 - 1.9265	1.15-1.13cpm	7.10	3.23-3.20pm	6.68
Canada	2.2856 - 2.3025	2.3015 - 2.3025	1.05-1.00cpm	5.34	2.97-2.88pm	5.08
Netherlands	3.1700 - 3.1825	3.1700 - 3.1800	⅛cpm-par	0.24	⅜-⅛pm	0.31
Belgium	58.00 - 58.20	58.00 - 58.10	3-2cpm	0.52	9-2pm	0.38
Denmark	10.8525 - 10.8850	10.8600 - 10.8700	⅞-1⅛oredis	-1.38	2-4⅛dis	-1.13
Ireland	1.0595 - 1.0625	1.0600 - 1.0610	0.06-0.03cpm	0.51	0.15-0.09pm	0.45
Germany	2.8150 - 2.8225	2.8150 - 2.8200	⅛-parpfpm	0.27	⅛-parpm	0.09
Portugal	241.25 - 242.25	241.25 - 241.75	36-60cdis	-2.39	175-260dis	-3.60
Spain	180.20 - 180.85	180.25 - 180.55	52-60cdis	-3.73	145-155dis	-3.33
Italy	2136.50 - 2143.25	2137.75 - 2138.75	9-11liredis	-5.61	25-27dis	-4.86
Norway	11.1000 - 11.1350	11.1025 - 11.1125	½-1⅛oredis	-0.88	1⅜-2⅛dis	-0.63
France	9.5425 - 9.5725	9.5475 - 9.5575	⅛-⅜cdis	-0.31	⅛-⅜dis	-0.21
Sweden	10.2475 - 10.3375	10.2525 - 10.2625	1⅝-2⅜oredis	-2.34	5½-6⅝dis	-2.36
Japan	241.75 - 243.00	241.75 - 242.75	1⅜-1¼ypm	6.50	3⅝-3⅜pm	6.09
Austria	19.79 - 19.90	19.82 - 19.85	⅝-½gropm	0.34	2⅜-¾pm	0.37
Switzerland	2.5275 - 2.5450	2.5275 - 2.5375	½-⅜cpm	2.07	1⅛-1pm	1.68
Ecu	1.3825 - 1.3865	1.3840 - 1.3850	0.10-0.15cdis	-1.08	0.25-0.33dis	-0.84

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.28-6.23pm. 12 Month 11.65-11.55pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9155 - 1.9270	1.9255 - 1.9265	1.15-1.13cpm	7.10	3.23-3.20pm	6.68
Ireland†	1.8020 - 1.8160	1.8150 - 1.8160	1.17-1.14cpm	7.63	3.26-3.20pm	7.12
Canada	1.1910 - 1.1950	1.1940 - 1.1950	0.17-0.19cdis	-1.81	0.45-0.50dis	-1.59
Netherlands	1.6470 - 1.6640	1.6480 - 1.6490	0.97-1.00cdis	-7.17	2.70-2.75dis	-6.61
Belgium	30.10 - 30.35	30.10 - 30.20	17.00-18.00cdis	-6.97	47.00-50.00dis	-6.43
Denmark	5.6375 - 5.6800	5.6375 - 5.6425	4.00-4.30oredis	-8.83	11.25-11.85dis	-8.19
Germany	1.4605 - 1.4760	1.4625 - 1.4635	0.86-0.87pfdis	-7.10	2.41-2.43dis	-6.62
Portugal	125.30 - 125.90	125.35 - 125.45	95-105cdis	-9.57	305-325dis	-10.05
Spain	93.70 - 94.40	93.70 - 93.80	84-87cdis	-10.94	237-244dis	-10.26
Italy	1109.00 - 1120.00	1110.00 - 1110.50	11.50-12.90liredis	-13.19	32.00-34.00dis	-11.89
Norway	5.7600 - 5.8150	5.7625 - 5.7675	3.75-4.05oredis	-8.12	10.65-11.15dis	-7.56
France	4.9525 - 4.9975	4.9575 - 4.9625	3.08-3.13cdis	-7.51	8.75-8.85dis	-7.10
Sweden	5.3175 - 5.3675	5.3225 - 5.3275	4.20-4.45oredis	-9.75	12.10-12.55dis	-9.26
Japan	125.60 - 126.45	125.70 - 125.80	0.07-0.08ydis	-0.72	0.15-0.17dis	-0.51
Austria	10.3100 - 10.3675	10.3100 - 10.3150	5.85-6.20grodis	-7.01	16.25-17.25dis	-6.50
Switzerland	1.3120 - 1.3295	1.3145 - 1.3155	0.56-0.58cdis	-5.20	1.65-1.68dis	-5.06
Ecu	1.3795 - 1.3920	1.3910 - 1.3920	0.96-0.94cpm	8.19	2.63-2.59pm	7.50

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Aug 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10 - 9¾	9¾ - 9½	10 - 9¾	10¼ - 10⅛	10⅛ - 10⅛	10⅜ - 10¼
US Dollar	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3⅞ - 3¾
Can. Dollar	5⅛ - 4⅞	5⅛ - 4⅞	5 - 4¾	4⅞ - 4¾	4¾ - 4½	5 - 4⅞
Dutch Guilder	10 - 9⅞	10 - 9⅞	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Swiss Franc	7⅞ - 7⅝	7⅞ - 7⅝	8⅜ - 8¼	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½
D-Mark	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9¾ - 9⅝
French Franc	10⅛ - 10	10⅛ - 10	10⅜ - 10¼	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½
Italian Lira	15 - 13	15 - 14	15⅛ - 14⅝	15⅛ - 14⅝	15⅛ - 14⅝	15⅛ - 14⅝
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
Yen	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4 - 3⅞	3¾ - 3⅝	3⅝ - 3½
Danish Krone	11½ - 11	11⅛ - 10¾	11½ - 11	11½ - 11	11½ - 11	11⅛ - 10⅝
Asian $Sing.	1⅛ - 1⅛	1½ - 1⅜	2⅛ - 1⅞	2⅛ - 2⅛	2⅛ - 2⅛	3⅛ - 3
Spanish Peseta	13⅞ - 12⅞	13⅞ - 12⅞	13⅞ - 12⅞	13⅞ - 13⅛	13½ - 13¼	13⅝ - 13⅛

Long term Eurodollars: two years 4⅛-4⅛ per cent, three years 5⅛-4⅞ per cent, four years 5⅛-5⅛ per cent, five years 5⅞-5¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others: two days' notice

EXCHANGE CROSS RATES

Aug.17	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.926	2.817	242.2	9.552	2.532	3.175	2138	2.302	58.05	180.4	1.384
$	0.519	1	1.463	125.8	4.960	1.315	1.648	1110	1.195	30.14	93.67	0.719
DM	0.355	0.684	1	85.98	3.391	0.899	1.127	759.0	0.817	20.61	64.04	0.491
YEN	4.129	7.952	11.63	1000	39.44	10.45	13.11	8827	9.505	239.7	744.8	5.714
F Fr.	1.047	2.016	2.949	253.6	10.	2.651	3.324	2238	2.410	60.77	188.9	1.449
S Fr.	0.395	0.761	1.113	95.66	3.773	1	1.254	844.4	0.909	22.93	71.25	0.547
N Fl.	0.315	0.607	0.887	76.28	3.009	0.797	1	673.4	0.725	18.28	56.82	0.436
Lira	0.468	0.901	1.318	113.3	4.468	1.184	1.485	1000	1.077	27.15	84.38	0.647
C$	0.434	0.837	1.224	105.2	4.149	1.100	1.379	928.8	1	25.22	78.37	0.601
B Fr.	1.723	3.318	4.853	417.2	16.45	4.362	5.469	3683	3.966	100	310.8	2.384
Pta	0.554	1.068	1.562	134.3	5.295	1.404	1.760	1185	1.276	32.18	100	0.767
Ecu	0.723	1.392	2.035	175.0	6.902	1.829	2.294	1545	1.663	41.94	130.3	1

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
94	3-47	4-31	0-01	0-33
95	2-48	3-42	0-02	0-44
96	1-49	2-58	0-03	0-60
97	0-54	2-15	0-08	1-17
98	0-15	1-43	0-33	1-45
99	0-03	1-15	1-21	2-17
100	0-01	0-57	2-19	2-59
101	0	0-41	3-18	3-43

Estimated volume total, Calls 3986 Puts 5251
Previous day's open int. Calls 56084 Puts 50350

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
102	3-29	3-22	0-01	1-06
103	2-30	2-46	0-02	1-30
104	1-33	2-11	0-05	1-59
105	0-45	1-45	0-17	2-29
106	0-13	1-20	0-49	3-04
107	0-04	0-63	1-40	3-47
108	0-02	0-47	2-38	4-31
109	0-01	0-34	3-37	5-18

Estimated volume total, Calls 45 Puts 270
Previous day's open int. Calls 3824 Puts 3899

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8600	1.78	2.40	0	0.10
8650	1.29	1.96	0.01	0.16
8700	0.80	1.54	0.02	0.24
8750	0.35	1.18	0.07	0.38
8800	0.09	0.87	0.31	0.57
8850	0.02	0.61	0.74	0.81
8900	0	0.42	1.22	1.12
8950	0	0.29	1.72	1.49

Estimated volume total, Calls 9724 Puts 6792
Previous day's open int. Calls 164886 Puts 111808

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8925	0.93	1.09	0	0.01
8950	0.68	0.85	0	0.02
8975	0.43	0.63	0	0.05
9000	0.20	0.42	0.02	0.09
9025	0.04	0.25	0.11	0.17
9050	0.01	0.14	0.33	0.31
9075	0	0.07	0.57	0.49
9100	0	0.04	0.82	0.71

Estimated volume total, Calls 3310 Puts 252
Previous day's open int. Calls 130758 Puts 102686

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9200	1.96	3.45	0.01	0.90
9250	1.47	3.07	0.02	1.02
9300	1.00	2.71	0.05	1.16
9350	0.57	2.37	0.12	1.32
9400	0.25	2.05	0.30	1.50
9450	0.09	1.74	0.64	1.69
9500	0.03	1.46	1.08	1.91
9550	0.01	1.22	1.56	2.17

Estimated volume total, Calls 1563 Puts 1561
Previous day's open int. Calls 42622 Puts 36749

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8875	0.95	1.09	0.01	0.09
8900	0.71	0.88	0.02	0.13
8925	0.47	0.69	0.03	0.19
8950	0.25	0.51	0.06	0.26
8975	0.10	0.36	0.16	0.36
9000	0.04	0.25	0.35	0.50
9025	0.01	0.16	0.57	0.66
9050	0	0.10	0.81	0.85

Estimated volume total, Calls 1579 Puts 3724
Previous day's open int. Calls 121024 Puts 91945

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev
Sep	97-23	97-28	97-14	97-22
Dec	97-31	98-01	97-24	97-30

Estimated volume 27627 (66823)
Previous day's open int. 78130 (78375)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	105-14	105-25	105-09	105-30
Dec	104-08			104-24

Estimated volume 748 (1506)
Previous day's open int. 2877 (3251)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	87.78	87.88	87.62	87.76
Dec	88.30	88.36	88.18	88.27

Estimated volume 62693 (101268)
Previous day's open int. 120869 (116181)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Sep	106.07	106.24	106.03
Dec	105.60	105.74	105.56

Estimated volume 678 (2163)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev
Sep	97.86			97.70
Dec				

Estimated volume 0 (0)
Previous day's open int. 0 (0)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev
Sep	93.95	94.15	93.60	93.98
Dec	94.55	94.55	94.39	94.53

Estimated volume 16511 (33650)
Previous day's open int. 40005 (37612)

THREE MONTH STERLING *
£500,000 points of 100%

	Close	High	Low	Prev
Sep	89.69	89.72	89.67	89.74
Dec	89.75	89.81	89.73	89.82
Mar	90.11	90.15	90.09	90.17
Jun	90.41	90.45	90.40	90.47
Sep	90.64	90.67	90.62	90.67
Dec	90.74	90.76	90.73	90.74

Est. Vol (inc. figs. not shown) 24195 (61148)
Previous day's open int. 246529 (245355)

THREE MONTH EURODOLLAR *
$1m points of 100%

	Close	High	Low	Prev.
Sep	96.61	96.62	96.60	96.61
Dec	96.36	96.36	96.34	96.35
Mar	96.33	96.33	96.32	96.31
Jun	96.04	96.03	96.03	96.02

Est. Vol (inc. figs. not shown) 873 (1829)
Previous day's open int. 28663 (28606)

THREE MONTH EUROMARK *
DM 1m points of 100%

	Close	High	Low	Prev.
Sep	90.18	90.20	90.16	90.22
Dec	90.33	90.38	90.32	90.40
Mar	90.70	90.73	90.67	90.75
Jun	91.01	91.06	91.00	91.07
Sep	91.25	91.28	91.24	91.29
Dec	91.43	91.47	91.41	91.46

Estimated volume 25598 (59043)
Previous day's open int. 361861 (363004)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Sep	89.14	89.18	89.11	89.19
Dec	89.42	89.46	89.38	89.48
Mar	89.82	89.83	89.79	89.86
Jun	90.27	90.27	90.27	90.27

Estimated volume 796 (1765)
Previous day's open int. 12104 (12447)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev
Sep	91.57	91.58	91.52	91.55
Dec	91.76	91.77	91.69	91.76
Mar	92.04	92.02	92.01	92.05
Jun	92.32	92.32	92.32	92.34

Estimated volume 2502 (5654)
Previous day's open int. 49906 (49610)

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Sep	85.06	85.00	84.65	84.86
Dec	85.66	85.60	85.30	85.45
Mar	86.33	86.12	86.12	86.04
Jun	86.54			86.27

Estimated volume 747 (2156)
Previous day's open int. 21805 (21972)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Sep	2389.0	2396.0	2362.0	2375.0
Dec	2433.5	2438.0	2413.0	2418.5
Mar	2469.0			2454.0

Estimated volume 11756 (11937)
Previous day's open int. 49035 (49469)

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	105-16	106-03	105-09	106-00
Dec	104-10	104-29	104-03	104-26
Mar	103-04	103-06	102-29	103-20
Jun	101-31	102-00	101-28	102-15
Sep	100-27	100-28	100-27	101-12
Dec	99-25	99-25	99-22	100-10
Mar	98-26	-	-	99-11
Jun	97-30	-	-	98-15
Sep	97-05	97-07	97-05	97-22
Dec	96-15	-	-	97-00

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sep	96.93	96.94	96.92	96.93
Dec	96.82	96.83	96.79	96.82
Mar	96.76	96.76	96.72	96.76
Jun	96.52	96.52	96.50	96.52

BRITISH POUND (IMM)
$s per £

	Close	High	Low	Prev.
Sep	1.9150	1.9196	1.8932	1.9106
Dec	1.8834	1.8880	1.8780	1.8790
Mar	1.8534	1.8562	-	1.8490

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Sep	0.7563	0.7584	0.7492	0.7546
Dec	0.7471	0.7490	0.7460	0.7453
Mar	0.7387	0.7405	-	0.7469

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
Sep	0.7951	0.7960	0.7904	0.7934
Dec	0.7944	0.7951	0.7920	0.7928
Mar	0.7949	0.7953	0.7930	0.7932

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
Sep	0.6794	0.6810	0.6737	0.6790
Dec	0.6687	0.6702	0.6668	0.6683
Mar	0.6589	0.6593	-	0.6585
Jun	0.6500	-	-	0.6496

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sep	96.62	96.63	96.60	96.62
Dec	96.38	96.39	96.34	96.36
Mar	96.36	96.37	96.30	96.34
Jun	96.08	96.09	96.00	96.05
Sep	95.69	95.69	95.61	95.65
Dec	95.08	95.09	95.00	95.05
Mar	94.90	94.91	94.80	94.86
Jun	94.52	94.52	94.43	94.48

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Sep	420.90	422.25	419.70	420.30
Dec	421.30	422.55	420.10	420.65
Mar	421.75	423.00	420.65	421.10
Jun	422.35	423.40	421.10	421.55

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.825	9.90	9.95	9.90	9.96	0.10	0.85	1.59	2.37
1.850	7.45	7.55	7.71	7.85	0.32	1.40	2.34	3.20
1.875	5.11	5.56	5.87	6.10	0.74	2.17	3.24	4.27
1.900	3.23	3.85	4.32	4.63	1.43	3.17	4.44	5.61
1.925	1.87	2.64	3.11	3.45	2.56	4.55	5.90	7.08
1.950	0.97	1.76	2.23	2.58	4.22	6.22	7.58	8.74
1.975	0.44	1.10	1.53	1.86	6.20	8.05	9.39	10.59

Previous day's open int. Calls 377,672 Puts 596,643 (All currencies)
Previous day's volume: Calls 26,319 Puts 31,016 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	† Yield	† Open int.
September	105.92	106.08	+0.12	106.20	105.78	9.05	135,600
December	106.24	106.42	+0.14	106.50	106.14	9.01	53,810
March	106.70	106.86	+0.12	106.82	106.60	8.94	9,898

Estimated volume 142,679 † Total Open Interest 203,214

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)

	Open	Sett price	Change	High	Low	† Yield	† Open int.
September	89.74	89.69	-0.01	89.74	89.67	10.30	18,092
December	89.87	89.84	-0.01	89.88	89.82	10.15	31,663
March	90.16	90.13	-0.01	90.16	90.12	9.86	9,935
June	90.37	90.38	-	90.42	90.37	9.62	5,992

Estimated volume 25,039 † Total Open Interest 70,527

CAC-40 FUTURES (MATIF) Stock Index

	Open	Sett price	Change	High	Low	† Yield	† Open int.
August	1778.0	1766.0	-3.0	1784.0	1756.0	-	13,561
September	1794.5	1780.5	-3.0	1798.0	1772.0	-	5,712
October	1813.0	1796.0	-3.0	1813.0	1813.0	-	40

Estimated volume 7,758 † Total Open Interest 20,366

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	† Yield	† Open int.
September	102.88	103.10	+0.16	103.26	102.84	9.52	14,802
December	103.30	103.24	+0.14	103.40	103.08	9.49	699

Estimated volume 4,121 † Total Open Interest 15,501

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	-	-	-	0.04	0.57	-
105	1.13	2.16	-	0.10	0.83	-
106	0.39	1.54	-	0.34	1.18	-
107	0.10	1.06	1.55	1.03	1.07	1.81
108	0.02	0.67	-	1.95	-	-
Open int	156,358	234,038	21,005	115,223	108,027	11,025

Estimated volume 87,151 † Total Open Interest N/A
† All Yield & Open interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9260	1.9146	1.8939	1.8635	1.8100

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Lighter mood

THERE WAS a lighter mood in both the sterling futures and cash markets yesterday morning as the pound managed to stay above DM2.8200 on the foreign exchanges. In the afternoon, however, the atmosphere darkened as the currency slid back, and traders grew anxious about German and British indicators due out later in the week.

In the morning, the markets were still being lifted by Friday's bullish news out of Germany, especially the wholesale prices figure for July, down 1.3 per cent from the previous month. Short dates in the sterling cash market also softened after traders removed most of the £1.2bn shortage forecast by the Bank of England in early operations.

The softer tone to period rates in cash lasted throughout the day. One-month money closed ⅛ easier on the offered side at 9⅞ per cent, and the three-month ended at 10⅛ per cent offered, down from 10¼ per cent. But the underlying pessimism about a rate cut maintained the yield curve: both six-month money and the one-year finished at 10⅛ per cent on the offered side.

Futures dipped in the afternoon as the pound lost its early gains on the currency market. After opening at 89.72, the September short sterling contract fell to a low of 89.67 and closed 3 basis points down on the day. The December contract ended 4 basis points off at 89.75.

Several factors subdued futures dealers. Mr Lothar Mueller, a Bundesbank board member, said at the weekend that the central bank would quickly raise the Lombard rate if last month's discount rate increase was seen to have no effect. Dealers are also concerned about the figure for M3 money supply in Germany, the guide to Bundesbank monetary policy, which is due out this week.

Whatever their long-term views on rates, few expect a rate change in Britain or Germany between now and the French referendum on Maastricht, and dealers were therefore selling bills to the Bank of England rather than running portfolios. In the early round, the Bank purchased £210m of Band 1 bank bills at 9¾ per cent, and £800m in a repurchase agreement (repo) at 9⅞ per cent. The shortage was later revised to £1.1bn and the Bank did not operate in the afternoon.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

FT LONDON INTERBANK FIXING

11.00 a.m. Aug 17	3 months US dollars		6 months US Dollars	
	bid 3⅛	offer 3⅛	bid 3⅜	offer 3½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime	
Prime rate	6
Broker loan rate	5¼
Fed funds	3½
Fed funds at intervention	3¼

Treasury Bills and Bonds	
One month	3.11
Two month	3.08
Three month	3.14
Six month	3.26
One year	3.42
Two year	4.08
Three year	4.64
Five year	5.52
Seven year	6.06
10-year	6.54
30-year	7.36

Aug 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.70-9.80	9.75-9.85	9.75-9.85	9.75-9.85	9.75-9.85	9.75
Paris	9⅞-10⅛	9⅞-10⅛	10⅛-10⅜	10¼-10½	10⅛-10⅜	9.60
Zurich	7⅝-7¾	8⅛	-	8⅛-8⅞	-	-
Amsterdam	9.68-9.75	9.56-9.66	-	9.58-9.66	-	-
Tokyo	4⅛-4¼	4⅛-4¼	-	-	-	-
Milan	14⅞-15¼	15⅞-16	-	15⅛-15⅜	-	-
Brussels	9⅝-9¾	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	10⅛-10¼	10¼-10½	10⅛-10½	10½-10⅝	10½-10⅝	-

LONDON MONEY RATES

Aug 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10	9⅞	10	10¼	10⅛	10⅛
Interbank Bid	8¼	9½	9⅞	10⅛	10⅛	10⅛
Sterling CDs	-	-	9⅞	10⅛	10⅛	10⅛
Local Authority Deps	9½	9¾	9⅞	10⅛	10⅛	10¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9½	9⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10⅛	10⅛	10¼	10¼
Treasury Bills (Buy)	-	-	9⅞	9⅞	9⅝	-
Bank Bills (Buy)	-	-	9⅞	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.28	3.28	3.33	3.46
SDR Linked Dep Offer	-	-	6⅛	6⅛	6⅛	6⅛
SDR Linked Dep Bid	-	-	5⅞	6⅛	6⅛	6⅛
ECU Linked Dep Offer	-	-	11	11	11	10⅞
ECU Linked Dep Bid	-	-	10¾	10¾	10¾	10⅞

Treasury Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; six months 9⅞ per cent. Bank Bills (sell): one month 9⅞ per cent; three months 9⅞ per cent. Treasury Bills: Average tender rate of discount 9.6344 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31 1992. Agreed rates for period August 26 1992 to September 22, 1992, Scheme I: 11.27 p.c. Schemes II & III: 11.46 p.c. Reference rate for period July 1, 1992 to July 31, 1992, Scheme IV&V: 10.188 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August 1 1992. Bank Deposit Rates for sums at seven days' notice 4 per cent. Certificates of Tax Deposit (Series 6). Deposit £100,000 and over held under one month 9½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent. Under £100,000 7 per cent from May 6 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

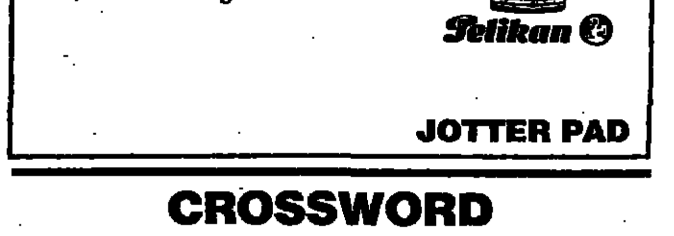
	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Calcash Deposit Fund	9.58	-	9.93	3 Mth
Deposits Over £1 million	9.68	-	10.04	3 Mth
Deposits Over £2 million	9.78	-	10.14	3 Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	9.60		10.00	3-Mth
Cent. Bd. of Fin. of Church of England††				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	9.70	-	10.06	3-Mth
Gartmore Money Management Ltd				
16-18 Monument St, London EC3R 8QQ 071-236 1425				
TESSA Desk 071 236 9362				
Call Fnd	9.27	6.95	9.48	6-Mth
7-day Fund	9.39	7.04	9.61	6-Mth
Special Fund	9.17	6.87	9.56	1-Mth
Dollar	2.11	1.58	2.12	3-Mth
TESSA Prime	9.00	-	9.31	3-Mth
TESSA Plus	8.76	-	9.05	3-Mth
TESSA Saver	8.52	-	8.80	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
AIB Bank High Interest Cheque Account				
Belmont Rd, Uxbridge UB8 1SA 0800 282115				
£2,500-£9,999	7.30	5.47	7.50	Qtr
£10,000+	8.36	6.27	8.625	Qtr
Aitken Hume Bank plc				
30 City Road EC1Y 2AY 071-638 6070				
Treasury Acc.	8.50	6.375	8.77	Qtr
Mth Int Chq £1,000-£4,999	8.50	6.375	8.84	Mth
Mth Int Chq £5,000-£49,999	9.00	6.75	9.38	Mth
Mth Int Chq £50,000+	9.50	7.125	9.92	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 071-626 0879				
TREMMA (£2,001+)	10.91	8.18	10.91	Yearly
TOMMA (£2,001+)	10.36	7.77	10.36	Yearly
OMMA (£2,001+)	10.03	7.52	10.03	Yearly
HICA (£2,001+)	8.50	6.38	8.84	Mth
Premier TESSA	12.68	9.51	12.68	Yearly
American Express Bank Ltd				
Sussex House, Burgess Hill, West Sussex, RH15 9AW 0444 232444				
High Performance Cheque Account				
Cardmembers				
£500-£999	3.25	2.44	3.30	Mth
£1,000-£4,999	8.00	6.00	8.30	Mth
£5,000-£9,999	8.20	6.15	8.52	Mth
£10,000-£24,999	8.50	6.38	8.84	Mth
£25,000-£49,999	8.70	6.53	9.06	Mth
£50,000-£99,999	9.00	6.75	9.38	Mth
£100,000+	9.20	6.90	9.60	Mth
Bank of Ireland High Interest Cheque Acc				
36-40 High St, Slough SL1 1EL 0753 516516				
£10,000+	8.25	6.188	8.509	Qtr
£2,000-£9,999	8.00	6.00	8.243	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH 071-601 6446				
MM Chq Acc £2,500-£24,999	8.65	6.49	9.00	Mth
£25,000+	8.88	6.65	9.25	Mth
Barclays Select				
PO Box 120 Westwood Bs Pk, Coventry 0800 400100				
£2,000-£9,999	7.60	5.70	7.60	Yearly
£10,000-£24,999	8.60	6.45	8.60	Yearly
£25,000-£49,999	8.90	6.68	8.90	Yearly
£50,000+	9.50	7.13	9.50	Yearly
Barclays Prime Account H.I.C.A.				
PO Box 125, Northampton 0604 252891				
£1,000-£2,499	6.50	4.88	6.66	Qtr
£2,500-£9,999	7.00	5.25	7.19	Qtr
£10,000-£24,999	7.75	5.81	7.98	Qtr
£25,000+	8.25	6.19	8.51	Qtr
For Benchmark Bank PLC see Dao Heng Bank PLC				
Brown Shipley & Co Ltd				
Founders Court, Lothbury London EC2 071-606 9833				
HICA	8.50	6.38	8.71	Qtr
Prof Demand A/c	8.50	6.38	8.71	Qtr
Caledonian Bank Plc				
8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235				
HICA	9.50	7.125	-	Yearly
Cater Allen Ltd				
25 Birchin Lane, London EC3V 9DJ 071-623 2070				
HICA	8.25	6.19	8.57	Mth
Consort £5,000 min	9.25	6.94	9.65	Mth
TESSA	9.50	-	9.92	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 071-248 4000				
£2,500-£19,999	8.75	6.56	9.11	Mth
£20,000-£49,999	9.00	6.75	9.38	Mth
£50,000-£99,999	9.25	6.94	9.65	Mth
£100,000+	9.50	7.13	9.92	Mth
$5,000-$49,999	1.75	1.31	1.76	Mth
$50,000-$99,999	2.25	1.69	2.27	Mth
$100,000-$199,999	2.50	1.88	2.53	Mth
$200,000+	2.75	2.06	2.78	Mth
Many other currencies are available – for rates please phone ext 2168				
Clydesdale Bank PLC				
30 St Vincent Place, Glasgow G1 2HL 041 248 7070				
£2,000-£24,999	7.50	5.63	7.71	Qtr
£25,000-£99,999	8.25	6.19	8.51	Qtr
£100,000+	8.75	6.56	9.04	Qtr
Confederation Bank Limited				
PO Box 104, Primett Rd, Stevenage 0438 744500				
60 Day Notice Acc £25,000+	10.50	7.875	10.78	6-Mth
H I C A £25,000+	9.75	7.3125	9.75	Yearly
1 Yr Fixed Rate £1,000+	9.60	7.2	9.60	Yearly
5 Yr Fixed Rate £1,000+	9.60	7.2	9.60	Yearly
Co-operative Bank				
PO Box 300 Skelmersdale, Lancs 0800 616162				
TESSA				
TESSA	10.00	-	-	Yearly
Investment 90 – 90 Day Notice Savings				
£50,000+	10.25	7.69	10.51	6-Mth
£25,000-£49,999	10.00	7.50	10.25	6-Mth
£10,000-£24,999	9.00	6.75	9.2	6-Mth
£5,000-£9,999	7.75	5.81	7.9	6-Mth
Pathfinder – Card Based Current Account				
All Balances	9.60	7.20	10.00	Mth
Top Tier – Instant Access Savings				
£50,000+	9.00	6.75	9.20	6-Mth
£10,000-£49,999	8.50	6.38	8.68	6-Mth
£5,000-£9,999	7.25	5.44	7.38	6-Mth
£1,000-£4,999	6.75	5.06	6.86	6-Mth
£1-£999	3.00	2.25	3.02	6-Mth
Ultra Interest Bearing Current Account				
£20,000+	5.00	3.75	5.12	Mth
£5,000-£19,999	3.50	2.63	3.56	Mth
£1000-£4,999	2.00	1.50	2.02	Mth
£1-£999	1.50	1.13	1.50	Mth

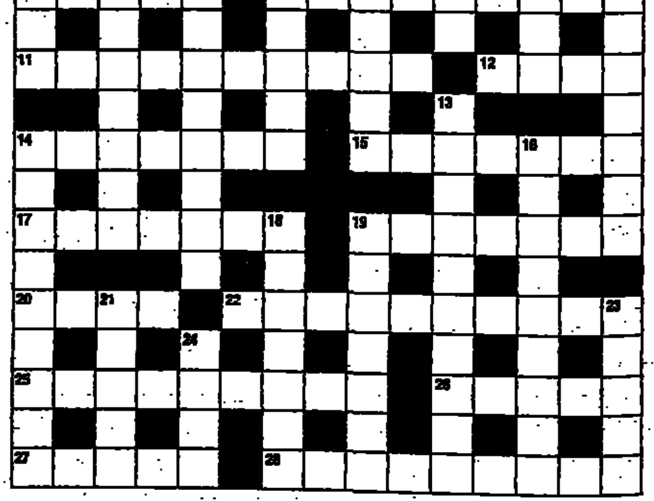
	Gross	Net	Gross CAR	Int Cr
Coutts & Co				
Reserve Account				
440 Strand, London WC2R 0QS 071-753 1000				
For personal customers				
£50,000+	8.125	6.09	8.38	Qtr
£20,000-£49,999	7.625	5.72	7.85	Qtr
£5,000-£19,999	7.00	5.25	7.19	Qtr
For businesses, charities and societies				
£100,000-£1,000,000	7.875	5.91	8.11	Qtr
£25,000-£99,999	7.50	5.625	7.71	Qtr
£10,000-£24,999	6.875	5.16	7.05	Qtr
Coutts Composite Account for clients money				
27 Bush Lane London EC4R 0AA 071-623 3434				
Rates negotiable up to	9.313	-	-	-
Dao Heng Bank PLC Premier Account				
86 Newman Street, W1P 3LD 071-631 3313				
£2,500-£10,000	8.50	6.375	8.77	Qtr
£10,001-£20,000	8.75	6.5625	9.04	Qtr
£20,000+	9.500	7.125	9.84	Qtr
Dartington & Co Ltd Investment HICA				
70 Prince St, Bristol BS1 4QD 0272 213206				
£50,000-£1m	9.00	6.75	9.31	Qtr
£25,000-£49,999	8.75	6.56	9.04	Qtr
£5,000-£24,999	8.50	6.37	8.78	Qtr
Fidelity Moneymarket Reserve Account				
Fidelity Portfolio Services Ltd, Oakhill House, Hildenborough Kent TN11 9DZ				
£1-£49,999	8.5	6.375	8.77	Qtr
£50,000-£249,999	9.0	6.75	9.31	Qtr
£250,000-£499,999	9.625	7.22	9.98	Qtr
£500,000+ Money Market Rates on request				
Gartmore Money Management Ltd				
16-18 Monument St London EC3R 8QQ 071-236 1425				
HICA £10,000+	8.25	6.18	8.50	3-Mth
Halifax Bldg Soc Asset Reserve Cheque Acc				
Trinity Road, Halifax HX1 2RG 0422 335333				
£5,000-£9,999	7.85	5.89	8.08	Qtr
£10,000-£24,999	8.55	6.41	8.83	Qtr
£25,000-£49,999	8.90	6.68	9.20	Qtr
£50,000 and above	9.70	7.28	10.06	Qtr
Julian Hodge Bank Ltd				
10 Windsor Place Cardiff CF1 3BX 0222 220800				
6 Mth Fixed Rate Dep Acc	10.75	8.06	-	-
Extra High Interest Deposit Account				
£50,000+	10.75	8.06	11.19	Qtr
£10,000+	10.50	7.88	10.92	Qtr
£5,000+	10.00	7.50	10.38	Qtr
Humberclyde Finance Group				
5 Bartley Way, Hook, Basingstoke 0256 760000				
£50,000+	10.00	7.50	10.38	Qtr
Leopold Joseph & Sons Limited				
29 Gresham Street London EC2V 7EA 071 588 2323				
Treasury High Interest Cheque Account				
£25,001-£100,000	9.50	7.125	9.84	Qtr
£100,001 plus	9.75	7.3125	10.11	Qtr
Kleinwort Benson Ltd				
158 Kentish Town Rd London NW5 2BT 071 267 1586				
H I C A (£2,500+)	9.00	6.75	9.3882	Daily
Lloyds Bank – Investment Account				
71 Lombard St, London EC3P 3BS 0272 433372				
£50,000 and above	9.30	6.98	9.30	Yearly
£25,000+	9.00	6.75	9.00	Yearly
£10,000+	8.70	6.53	8.70	Yearly
£5,000+	7.40	5.55	7.40	Yearly
Midland Bank plc				
PO Box 2, Sheffield 0742 529394				
Exchequer Acc £5000+	8.10	6.07	8.25	6-Mth
£10,000+	8.34	6.25	8.50	6-Mth
£25,000+	8.82	6.61	9.00	6-Mth
£50,000+	9.54	7.15	9.75	6-Mth
TESSA	9.50	-	9.50	Yearly
NatWest Crown Reserve Account				
41 Lothbury London, EC2P 2BP 0800 200 400				
£25,000 and above	9.25	6.94	9.58	3-Mth
£10,000 to £24,999	9.00	6.75	9.31	3-Mth
£2,000-£9,999	8.625	6.47	8.91	3-Mth
Provincial Bank PLC				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H I C A (£1,000+)	8.25	6.19	8.57	Mth
Royal Bank of Scotland plc Premium Acc				
42 St Andrew Sq, Edinburgh EH2 2YE 031-228 5650				
£50,000+	9.00	6.75	9.31	Qtr
£25,000-£49,999	8.60	6.45	8.88	Qtr
£10,000-£24,999	8.00	6.00	8.24	Qtr
£2,000-£9,999	7.25	5.44	7.45	Qtr
Save & Prosper/Robert Fleming				
16-22 Western Rd, Romford RM1 3LB 0800 282101				
Demand (£1,000+) Chq Acc	8.50	6.38	8.87	Daily
TESSA Fixed 1 Year	8.88	-	9.25	Mth
TESSA Variable	9.34	-	9.75	Mth
Sterling Bank & Trust Ltd				
Abbey Gdns 6 Abbey St, Reading RG1 3BA 0734 592543				
HIDA £2,500+	10.00	7.50	10.25	6-Mth
Tyndall & Co Ltd				
29-33 Princess Victoria St, Bristol 0272 744720				
Demand Acc.	08.625	6.47	08.90	Qtr
HIMA	08.50	6.38	08.77	Qtr
HIMA £100,000+	08.75	6.56	09.04	Qtr
Master Plus	08.375	6.28	08.64	Qtr
TESSA	09.00	-	09.30	Qtr
ULC Trust Limited				
1 Great Cumberland Pl, London W1H 7AL 071-258 0094				
£10,000-90 day notice	11.25	8.44	11.73	Qtr
United Dominions Trust Ltd				
PO Box 135 Abbey St, Reading RG1 3EB 0734 560411				
Capital Plus Cheque Account				
£1,000+	9.40	7.05	9.74	Qtr
J. Henry Schroder Wagg & Co Ltd				
120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc.	8.75	6.56	9.01	Mth
£10,000 and above	9.00	6.75	9.28	Mth
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE 0752 224141				
£15,000+	9.50	7.13	9.84	Qtr
£5,000-£14,999	9.25	6.94	9.58	Qtr
£1,000-£4,999	9.00	6.75	9.31	Qtr
Wimbledon & South West Finance PLC				
114 Newgate St, London EC1 7AE 071-606 9485				
High Int Cheque Acc.	8.50	6.38	8.77	Qtr

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.



CROSSWORD

No.7,928 Set by VIXEN



ACROSS

1 Reserve foals one's to break (9)
6 Sound form of entertainment (5)
9 Sack fathead in anger (5)
10 Kept parking booked (9)
11 Newly-built hostels are let, but not for long (5,5)
12 Press club (4)
14 A spring's swarms (7)
15 Figure the hack will appear in time (7)
17 A dark-red fruit – over two pounds – round (7)
19 Sculpture about right for size (7)
20 Soldiers capturing a few can cause storm (4)
22 Order given when the ratings change (10)
25 Watched by others he controls beastly impulses (4-5)
26 Note minor favour (5)
27 Long story about the orient (5)
28 Any old sweater just will not do in America! (3,6)

DOWN

1 It's clear rascally thieves are holding the tapestry (5)
2 Away on business, look over an old city that's run down (3-6)
3 Temporarily make off with pins and needles (10)
4 Out of papers to give out (7)
5 A good man maybe set on obtaining wide coverage (7)
6 Much regrets the ways of the French (4)
7 Many left town (5)
8 The regulation of Israeli capital invested in munitions (9)
13 Trendy board imbibing gin possibly – nothing can touch it! (10)
14 A trim lady reorganised the naval office (9)
16 Gets round a relative with money to provide gloves (9)
18 A foreigner to turn to (male) (7)
19 Bird box controversy (7)
21 An instrument for playing in the garden? (5)
23 Yes and no – curious! (5)
24 Some of the most unyielding men can be overcome (4)

Solution to Puzzle No.7,927

S	A	F	E	T	Y	C	A	T	C	H		R	O	W
T		E		A		A		R		A		H		I
A	L	D	I	S		P	R	E	S	I	D	E	N	T
M		E		T		T		L		R		S		H
P	E	R	P	E	T	U	A	L		S	A	U	C	E
E		A				R		I		H		S		N
D	E	T	E	N	T	E		S	K	I	N			
E		E		A						R		T		A
			I	R	I	S		M	A	T	T	E	R	S
P		D		C		P		A				X		S
A	L	I	B	I		A	R	I	S	T	O	T	L	E
R		R		S		N		N		I		B		S
O	V	E	R	S	I	G	H	T		A	E	O	N	S
L		C		U		L		O		R		O		O
E	F	T		S	L	E	E	P	W	A	L	K	E	R

WORLD STOCK MARKETS

INDICES

	Aug 14	Aug 7	Jul 31	year ago (approx.)
Dow Industrial Div Yield	3 11	3.12	3 07	3 08

	Aug 12	Aug 5	Jul 29	year ago (approx.)
S & P industrial div. yield	2 62	2.59	2.59	2 70
S & P Indl P/E ratio	29.00	29 34	29 31	21.31

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Global Mar	2,575,400	2¼	+ ⅛
Citicorp	2,042,600	18⅝	- ¼
NationsBank	1,734,600	47	..
Toys R Us	1,659,300	36¾	+ 1
Lowe's Con	1,659,200	18	- ⅝
First Inter	1,511,500	37½	- ¼
GTE Corp	1,409,100	35⅛	+ ¼
RJR Nabisco	1,356,300	8⅞	.
Chase Man	1,323,000	24⅝	.
K Mart	1,249,500	24½	- ¼

TRADING ACTIVITY

† Volume Millions	Aug 17	Aug 14	Aug 13
New York SE	152.750	166.180	185 700
Amex	12 877	10.942	9.931
NASDAQ	(a)	145 646	143.183
NYSE			
Issues Traded	2,333	2,316	2,315
Rises	967	1,101	800
Falls	765	594	908
Unchanged	601	621	607
New Highs	91	76	79
New Lows	15	31	36

CANADA

TORONTO	Aug 17	Aug 14	Aug 13	Aug 12	1992 HIGH	1992 LOW
Metals & Minerals	3007.99	2973.02	2952.37	2948 27	3238 87 (16/1)	2828.26 (8/4)
Composite	3379.78	3368.47	3360.50	3377 80	3666 00 (16/1)	3318 10 (8/4)
MONTREAL Portfolio	1768.96	1762 72	1757.17	1769 15	1937.59 (16/1)	1727 04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation (c) Closed. (u) Unavailable.

‡ Subject to official recalculation. Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen. and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, August 17, 1992

	Stocks Traded	Closing Prices	Change on day
Nippon Jutaki	4 8m	140	+22
Japan Mtl & Ch	2 8m	414	+24
Okamoto Inds	2 7m	835	+5
Meiji Milk	2.7m	771	+1
NKK	2.2m	215	-3
Npn Steel Corp	1.9m	245	-2
Nomura Sec	1.7m	1,210	-20
Ricoh	1 4m	520	+10
Hitachi	1.3m	752	+7
Mochida Pharm	1 3m	2,390	+70

4:00 pm prices August 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11⅞	AAR Corp	0.48	3.8	20	213	12¾	12⅝	12⅝	+⅛
25	16	A L Labs A	0.16	0.9	70	25	19¼	19⅛	19⅛	
68¾	52⅝	AMP Inc	1.52	2.8	21	1192	54½	54⅛	54⅛	+⅛
80¼	58⅞	AMR			21	8261	60⅝	59⅞	59⅞	-⅛
2⅛	1⅛	ARX			2	12	1¼	1¼	1¼	-⅛
59½	37⅛	ASA x	2.00	5.4	24	729	37⅞	d37	37⅛	-¼
34¼	26⅛	Abbott Lab	0.60	2.0	22	5469	30⅞	30¼	30⅛	+½
13⅞	12	Abitibi Pr	0.50	3.9	6	34	12⅞	12⅞	12⅞	-⅛
11⅞	10⅛	ACM Gvt In	1.08	9.7		219	11¼	11⅛	11⅛	-⅛
10⅞	9⅛	ACM GvOpp x	0.92	9.4		201	9⅞	9¾	9¾	-⅛
9½	8½	ACM Gvt Sp x	0.82	8.7		124	9⅜	9¼	9⅜	
11¼	10⅛	ACM Gvt Se	0.96	8.8		342	11	10⅞	10⅞	-⅛
10¼	8⅝	ACM Man x	0.98	9.7		324	10⅛	10	10⅛	
12⅞	10⅝	ACM Mosgl x	0.96	9.2		170	10⅞	10¾	10⅝	-⅛
11¾	4¾	Acme Cleve x	0.40	5.7	13	77	7⅛	7	7	-⅛
6¼	4⅛	Acme Elect			4	7	5	4⅞	4⅞	-⅛
33¼	18	Acuson			12	490	18⅝	d18	18⅛	+⅛
19½	18⅛	Adams Expr x	0.46	2.5	0	121	19	18¾	18⅞	
49⅛	29½	Ad Micro	3.00	8.3		224	36⅛	36	36	+⅛
21½	7½	Ad Micro P	3.00	32.9		32194	9⅛	9⅛	9⅛	-¼
9⅛	5	Advest Grp	0.16	3.0	76	58	5⅜	5¼	5⅜	
37¾	33	Aegon ADR	1.66	4.5	7	12	37½	37¼	37½	+⅜
47	38⅞	Aetna Lf	2.76	6.3	11	3319	44⅛	42⅞	44	+1½
12¾	6⅝	Afifi A x	0.24	2.0	14	314	11⅞	11⅝	11⅞	+⅛
34	24	Aflac x	0.44	1.3	16	1547	33⅛	32⅛	33⅛	+1
19⅞	15⅛	Ahmanson x	0.88	5.4		74498	16½	16¼	16⅜	-⅛
22½	5⅝	Aileen Inc			6	44	5⅛	d5⅝	6⅛	+⅛
49½	38½	Air Pr Chm	0.86	2.1	17	1344	42	41½	41⅞	+½
29¾	12½	Airtrans Frt x	0.30	2.4	25	48	12⅞	12⅝	12⅛	
34¼	22⅝	Airgas Inc			26	22	32⅛	31⅜	31⅜	-⅛
12⅞	8⅛	Airlease	1.88	14.5	8	48	11⅜	11⅝	11⅞	+⅛
[illegible]										

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chg
43	38½	Xtra Corp x	0.80	1.8	13	601	u44⅛	43	44⅛	+1½
29½	25¼	Yankee Egy	1.68	5.7	13	18	29⅛	28⅞	28⅞	−⅛
1½	½	Zapata			28	138	1⅛	1	1⅛	
11⅛	6⅜	ZenithElec			4	995	6⅝	d6⅛	6⅛	−⅛
19½	14½	Zenith Nat	1.00	5.6	8	93	18⅛	17⅞	17⅞	
7½	6	Zenix Inc	0.82	11.3		167	7⅜	7¼	7¼	
13¾	10	Zero Corp x	0.40	3.3	19	110	12⅜	12¼	12¼	+⅛
38	27¾	Zurn Ind	0.88	2.8	34	267	31⅞	31	31⅜	+½
14⅛	12	Zweig Fund	1.12	8.5		506	13⅛	12⅞	13⅛	+¼
11	9½	Zweig Totl x	0.96	9.1		635	10½	10⅛	10½	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices August 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	21	15	11¾	11¾	11¾	−¼
Pet H&P	1.14	17	27	16	15¾	16	+¼
Phil LD	0.21	17	227	42	41⅛	41⅛	−⅜
Pittway A	1.10	16	387	30⅞	29⅞	30⅞	+1
Ply Gem x	0.12	22	20	10½	10⅜	10⅜	+⅛
PMC	0.66	15	86	10⅜	10⅛	10¼	+⅛
PresidioA	0.10	1	33	1⅞	1¾	1⅞	
Price Com		0	38	$\frac{7}{32}$	d$\frac{3}{16}$	$\frac{7}{32}$	−$\frac{1}{32}$

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Blount A	0.45	110	15	8⅞	8⅞	8⅞	
Bolar Ph		7	278	10	9¾	9¾	−⅛
Bow Valley		3	2	9	9	9	
Bowmar		9	57	1¾	1⅝	1⅝	
Bowne	0.25	12	271	17⅛	17⅛	17⅛	
Brascan A	0.86	25	87	14¾	14½	14¾	+¼
BSN Corp	0.18	10	86	6⅛	6	6⅛	−⅛
Cal Engy		14	107	12	11⅞	12	+⅛
Calprop		0	2	1⅛	1⅛	1½	+⅛
Can Marc	0.23	9	20	13½	13⅜	13⅜	
Chmbrs A		9	1314	8¼	8	8¼	−⅛
Chambers		10	10	8⅛	8⅛	8⅛	
Champion		36	102	3½	3⅝	3⅝	−⅛
Chiles		0	238	1¼	1⅛	1¼	+⅛
Hasbro x	0.20	19	392	30⅞	30⅝	30⅝	−¼
Health Ch		8	15	1½	1½	1½	
Healthvst		175	42	1⅞	1⅞	1⅞	−⅛
Heico Cp	0.15	17	10	12¾	12¾	12¾	−⅛
Hlthaven		3	419	2⅜	2¼	2⅜	+⅛
Odetics A		268	36	5⅜	d5⅛	5⅜	
Olsten x	0.32	27	215	30½	30⅜	30½	−⅛
OMI Corp	0.14	7	z0	0	d0	6⅝	
Pall Corp	0.36	27	1023	26½	26⅛	26⅛	
Pegasus G	0.10	33	372	14⅞	14⅝	14⅞	+⅛
Vivigen		46	31	13⅛	13⅛	13⅛	−⅛
Westbrld		17	494	6¼	6	6¼	
Wesamer	0.52	9	78	19¾	19¼	19½	−⅛
WtRET	1.12	17	191	13	12⅝	13	+⅛
Worthen x	0.10	9	15	21⅞	21⅞	21⅞	
Xytronix		9	20	8⅞	8¼	8⅜	−½

NASDAQ NATIONAL MARKET

4:00 pm prices August 17

AMERICA

Convention hopes dented in flat trade

Wall Street

HOPES that the Republican convention in Houston would boost the stock market were dented yesterday when a lack of investor interest left share prices little changed, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 4.05 at 3,324.89, having spent the entire day moving within a narrow range. The more broadly based Standard & Poor's 500 was up 0.83 at 420.74 and the Nasdaq composite 0.71 easier at 572.47. Turnover on the New York SE was typically light for a midsummer session at just 154m shares.

Before trading opened, analysts had suggested that prices would start firmer on the belief that President Bush's popularity could gain a big boost from the week-long convention. There was also talk that the possible renewal of conflict in the Gulf might also help the president's poll standings.

These hopes never translated into buying, and with many institutional investors staying out of the market during the height of the summer doldrums, share prices drifted uneasily in light trading. Analysts, however, noted that the ex-dividend trading of several large stocks meant that the Dow was a few points lower than it might have been on an ordinary day, and that another sharp fall in bond prices kept optimism in check.

The one bright spot was the airlines sector, which attracted strong demand after Mr Kevin Murphy of Morgan Stanley, a leading industry analyst, was reported to be recommending that now is the best time to buy airline shares, in view of the generally negative coverage of the industry.

Among those receiving a boost were UAL, up $2 at $109¼, Delta, $⅝ firmer at $51⅞, and USAir, $½ ahead at $13¼. AMR, parent of American Airlines, lost an early gain.

On the American Stock Exchange, amid heavy selling Wang Laboratories plunged $⅞ further to $¾ in turnover of 3.2m shares on speculation that the troubled company will not get an agreed cash injection from IBM that could have been worth as much as $75m. IBM was up $¼ at $88⅞.

Eljer Industries jumped $3¼ to $10 after a court ruled in its favour on an appeal of a judgment about insurance coverage for a polybutylene plumbing system.

American Health fell $3⅞ to $26 after the company restated its second-quarter results from a profit of 54 cents a share to a loss of $2.07 in the wake of a $54m writedown.

Canada

TORONTO showed a bias to higher levels in continued moderate trading. The TSE 300 index finished 11.3 firmer at 3,379.8, while rises outpaced declines by 286 to 231 after volume of 22.2m shares.

Nine of the 14 sub-indices gained ground, with the most significant rises in golds, up 1.52 per cent, and mining, 1.18 per cent ahead.

TransAlta Utilities, up C$⅛ at C$14⅛, reported slightly higher six-month earnings.

Corel Systems said it has filed to offer about 2.1m common shares for sale in the US and has applied for a listing on the National Market System of the Nasdaq. The stock was unchanged at C$19¾.

SOUTH AFRICA

JOHANNESBURG staged a technical rally, the overall index rising 35, or 1.1 per cent to 3,174 following last week's 6.8 per cent drop. A firmer bullion price, a weaker financial rand and institutional bargain-hunting helped golds rise 28, or 3 per cent, to 964; industrials put on 30 to 4,003.

EUROPE

Early rally peters out on lack of buying interest

LAST week's excitement in Europe, generated by the thought that a German economic slowdown must eventually lead to lower interest rates, subsided yesterday, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Aug 17							
Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1047.72	1046.22	1046.30	1044.77	1044.30	1044.12	1044.52	1045.00
Day's High 1047.72				Day's Low 1043.62			
Aug 14	Aug 13	Aug 12	Aug 11	Aug 10			
1042.13	1035.59	1037.76	1044.92	1049.68			

Base value 1000 (26/10/90).

FRANKFURT tried to go with the flow but, after an intraday high of 1,563.49, the DAX index came back to close just 7.72 higher at 1,555.42. Dealers said that there was a lack of follow-through buying, as turnover fell from DM4.9bn to DM3.7bn.

Hopes rose last Friday when the deputy president of the Bundesbank, Mr Hans Tietmeyer, said that German interest rates would be reviewed in a couple of months' time – this after a sharp fall in German wholesale prices in June.

But they dissipated after two other council members, Mr Otmar Issing and Mr Lothar Müller, appeared to take a hard line, Mr Müller saying that Buba would raise the Lombard rate if last month's discount rate rise turned out to have no effect, and Mr Issing that the conditions for a rate cut were a virtual halving of money supply growth, and inflation below 3 per cent.

Mannesmann stood out among the day's declines, falling DM5.20 to DM267.30 ahead of Tuesday's first half results. Lufthansa recovered DM2 to DM93, after an intraday high of DM97; yesterday, Germany's DAG white-collar union offered the airline a package of cost-savings which, it claimed, were worth DM500m.

PARIS had its thinnest day's trading since January 4, 1991, as volume came to to a paltry FFr933m. The CAC-40 index came off the day's low of 1,741.39 on rumours that a new poll on Maastricht would show support for the treaty, closing up 3.85 at 1,757.31.

Eurotunnel rose in early trading on reports of an early settlement to the dispute between the consortium and its contractors. The stock peaked at FFr36.40 before closing down 10 centimes at FFr35.

Among gainers, Olipar jumped FFr12.50 or 16 per cent to FFr90 in speculative trading while institutional buying lifted Crédit Local by FFr7 or 2.8 per cent to FFr262.

MILAN saw a classic technical reaction after last week's heavy losses and dealers said the rise was due to a lack of sellers rather than any buying interest. The Comit index rose 9.73 to 403.43 in turnover estimated at L60bn-L70bn after Friday's L65.9bn. Among leading blue chips, Fiat rose L125 to L4,210 at its official close although it pared its gains later to stand at L4,190.

Some shares were suspended temporarily due to excessive gains, including Banca Nazionale dell'Agricoltura and the insurer Sai. BNA closed up L250 at L4,550 and Sai was up L660 to L12,110.

The transport group, Ausiliare, was readmitted to trading after its suspension last week pending details of negotiations for a change in ownership of the group.

AMSTERDAM closed early as the stock exchange extended the share suspension caused by a computer failure earlier in the day. The market, extremely quiet before the interruption, will re-open as normal today. The CBS Tendency Index rose 0.4 to 113.7.

Recent losers rose on bargain-hunting with Daf rising 80 cents to Fl 18.10 and Hoogovens 30 cents firmer at Fl 38.20.

STOCKHOLM was largely unchanged, a morning rally fading after a rise in domestic interest rates, and on the softer dollar. The Affärsvärlden General Index fell 2.5 to 820.7 in thin turnover of SKr282m after SKr330m.

Ericsson B rose SKr2 to SKr116 after last week's weakness and on hopes that its six-month report, due on Thursday, will beat expectations.

VIENNA leapt more than 5 per cent on a long-awaited technical reaction to its summer slide. The 18-share ATX index rose 37.43 to 733.51 and the all-share Vienna bourse index gained 12.16 to 354.68.

ISTANBUL started the week mostly lower on profit-taking after last week's gains. The 75-share index lost 27.45 to 4,076.98.

ELECTRONIC trading on the Athens Stock Exchange got off to a disappointing start yesterday, with the index losing 1.61 to 779.36, writes Kerin Hope in Athens.

Greece's five biggest banks were the first issues to be traded on the screens installed on the trading floor. Prices of all but one bank declined slightly, and trading volume also fell.

Insurance, commercial and industrial shares, still traded by open outcry, all went down but by a smaller margin than the banks.

Brokers said the new system's failure to stimulate activity reflected anxiety about a new Gulf crisis, as well as concern that the government is planning further austerity measures. This month, the market has fallen to its lowest level since 1990, as daily volume has dropped below Dr1bn ($5.4m).

Mr Nikitas Niarchos, the bourse president, said screen-based trading will be expanded until "all the most active stocks are included, probably by the end of the year".

It will be some time before the system's capacity to handle 40,000 orders an hour is tested. The system was developed by Femcon Associates, of the US, at a cost of almost $4m, with part of the funding provided by the European Community.

ASIA PACIFIC

Tentative recovery in Nikkei as Pacific Rim slides

Tokyo

THE NIKKEI average broke back above 15,000 on early index-related buying yesterday, but profit-taking subsequently eroded some of the gain, *writes Emiko Terazono in Tokyo.*

The index closed a net 109.30 ahead at 14,929.55 after opening at the day's low of 14,854.58 and rising to a high of 15,122.84 in the morning session. Advances outscored declines by 709 to 213, with 125 issues unchanged.

Volume, however, dropped to 140m shares from 282m. The Topix index of all first section stocks gained 9.38 at 1,132.51, but in London the ISE/Nikkei 50 index eased 0.46 to 936.15.

Reports that Mr Kiichi Miyazawa, the prime minister, had expressed his "grave determination" to boost the economy triggered bargain hunting and short-covering by traders. Mr Miyazawa met Mr Gaishi Hiraiwa, chairman of the Keidanren business federation, on Saturday to discuss measures to counter the current economic slowdown.

The meeting, however, did not produce new proposals, and Mr Miyazawa reiterated plans to implement an economic stimulus package this autumn. He promised to study ways to reduce the tax burden on property and equity investments, and to consider the government's purchase of land needed for state projects.

Activity centred on position adjustment by dealers. Shares which were previously hit by negative news rebounded on buy-backs. Nippon Housing Loan, the most active issue of the day, advanced Y22 to Y140. The leading home loan company faces mounting bad debts, and had been requesting a cut in interest payments to its creditors. Reports that Nippon Housing Loan's nine founder banks had agreed to its restructuring programme prompted buying.

High-technology issues gained ground. Toshiba rallied Y19 to Y564, rising for the first time in eight trading days. Dealers said the issue was seen as oversold, since it had declined 12 per cent during the previous seven days. Hitachi appreciated Y7 to Y752 and Fujitsu put on Y5 to Y546. In contrast, NEC lost Y9 to Y761 on fears that the company may drastically revise down its annual earnings forecast.

Brokerage houses were weaker on concern ahead of the interim book closing. The low turnover in the Tokyo stock market is hurting the industry, and most brokers are expected to post losses for the first half.

Nomura Securities receded Y20 to Y1,210 and Daiwa Securities retreated Y14 to Y696.

In Osaka, the OSE average improved 194.38 to 15,964.60 in volume of 10.8m shares.

Roundup

FEARS of conflict between the US and Iraq were blamed for the relatively heavy declines in some of the region's markets.

HONG KONG also reflected disappointment with results from domestic blue chip companies. The Hang Seng index shed 154.74, or 2.7 per cent, to 5,667.85, its biggest setback this year, in turnover down from HK$4.47bn to HK$2.26bn.

Banks were among the hardest hit, HSBC and its Hang Seng Bank subsidiary both sliding HK$2, to HK$51.50 and HK$2 respectively. A measure of the mood was that Hang Seng's 22 per cent profits rise, reported last week, was among the "disappointing" results.

TAIWAN added domestic political struggles to its international worries, with an investigation into suspected corruption on a construction project contributing to a fall of 141.90, or 3.6 per cent, to 3,784.48 in the weighted index.

Turnover rose to T$21.5bn from Saturday's two-hour total of T$14.2bn. Local commentators believed that an investigation into suspected corruption on a major highway construction project was linked to factional disagreements within the ruling Nationalist party, and investors feared instability if a power struggle resulted.

SEOUL's composite index tumbled 16.77, or 3.5 per cent, to 462.13. Continued speculation on the formation of a new political party, led by the Daewoo group and some politicians, added to the depressing effect of poor first-half results and stringent monetary policy.

KUALA LUMPUR extended Friday's 1.7 per cent decline with a drop of 13.69, or 2.4 per cent, to 568.25 in the KLSE composite amid profit-taking.

BANGKOK fell through a strong support point, pressured by concern about a jump in oil prices and weakness on other regional exchanges. The SET index lost 8.13 to 756.35 in moderate volume of Bt5.1bn.

AUSTRALIA's All Ordinaries index rose 10 points to 1,559.0 in a technical rebound after four consecutive days of losses. Foster's Brewing rallied 5 cents to A$1.71, after a loss of 17 cents last week which prompted the Australian Stock Exchange to query the fall.

NEW ZEALAND rallied as a bounce in Fletcher Challenge restored confidence. The NZSE-40 Index closed 19.75 better at 1,491.06. The forestry and resources conglomerate jumped 23 cents to NZ$2.56.

BOMBAY rose 3.4 per cent on bear-covering and speculative buying, the BSE index ending 93.90 up at 2,889.08.

Singapore bears brunt of bearish week

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1992	% change sterling † Start of 1992	% change in US $ † Start of 1992
Austria	-3.55	-14.60	-30.97	-17.95	-17.22	-15.20
Belgium	-4.26	-6.99	-8.32	-5.33	-4.53	-2.20
Denmark	-4.01	-7.34	-24.72	-18.15	-16.60	-14.56
Finland	-4.20	-11.51	-34.27	-14.84	-14.57	-12.50
France	-1.17	-2.48	-1.16	-0.05	+1.60	+4.07
Germany	-3.85	-10.26	-10.07	-4.71	-3.90	-1.57
Ireland	+0.03	-4.74	-13.95	-10.22	-9.36	-7.16
Italy	-5.91	-10.07	-27.87	-20.75	-20.37	-18.44
Netherlands	-0.13	-2.07	-0.79	+2.89	+3.69	+6.21
Norway	-2.44	-9.46	-35.21	-15.84	-15.18	-13.12
Spain	-3.65	-6.84	-21.96	-16.17	-15.94	-13.90
Sweden	-2.99	-5.37	-18.48	-2.66	-1.46	+0.94
Switzerland	-1.50	-1.47	+2.69	+7.40	+7.31	+9.90
UK	+0.26	-3.63	-10.44	-5.75	-5.75	-3.46
EUROPE	-1.44	-4.95	-10.01	-5.12	-4.61	-2.30
Australia	-2.46	-5.20	-2.72	-7.94	-14.79	-12.72
Hong Kong	-1.04	-6.33	+41.23	+35.81	+33.42	+36.66
Japan	-4.32	-9.93	-36.10	-33.71	-35.95	-34.38
Malaysia	-3.53	-5.45	-2.02	-0.42	+5.80	+8.38
New Zealand	-5.86	-10.48	-2.63	-9.51	-11.93	-9.79
Singapore	-8.26	-13.01	-10.95	-16.62	-18.14	-16.15
Canada	-1.17	-3.00	-6.71	-5.03	-10.12	-7.94
USA	+0.24	+1.24	+8.04	+0.74	-1.66	+0.74
Mexico	-1.84	-8.71	+27.14	+0.35	-3.05	-0.69
South Africa	-7.99	-11.23	-11.45	-9.98	-26.08	-24.28
WORLD INDEX	-1.51	-3.75	-10.92	-11.25	-13.21	-11.10

† Based on August 14th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities

By Antonia Sharpe

Singapore suffered the most in a generally bearish week for world equities, dropping 8.3 per cent in local currency terms against a decline of 1.5 per cent in the FT-Actuaries World Index.

The fall in Singapore was triggered by concern about rights issues, following cash calls from two banks, OCBC and OUB, as well as a realisation that the economy is slowing down, says Mr Michael Franklin, a director at Kim Eng Securities.

Other stocks came under pressure as institutions took their profits in a thin market. Mr Franklin says the market looks vulnerable from a technical point of view, since there is little support for the Straits Times Industrial index below 1,300. The index closed at 1,334.42 yesterday.

The week's second-worst performer was Johannesburg, which weakened 8 per cent following a dividend cut warning last Tuesday from De Beers, one of the most dominant components in the overall index.

One analyst says the market has also been depressed by a 1.2 per cent year-on-year fall in Gross Domestic Product in the June quarter, the ninth consecutive quarter of negative performance and the sharpest decline since the first quarter of 1986.

He adds that no improvement in the economy, poor results from the retail sector and little prospect that the ANC and the government will return to the negotiating table soon have caused local institutions to shy away from equities. "There is a realisation that profits at industrial companies are declining and that there is no dividend growth," he explains.

The reality, or the expectation, of disappointing results from bellwether companies were also to blame for the 4.3 per cent fall in Brussels in the wake of poor first-half figures from Petrofina, while New Zealand lost 5.9 per cent on fears that Fletcher Challenge would announce large losses at its annual meeting this week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — MONDAY AUGUST 17 1992

Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield
Australia (68)	132.97	+1.0	102.36	105.69	101.14	122.31	+0.8	4.46
Austria (19)	147.23	+4.3	113.33	117.03	111.99	112.11	+4.1	2.61
Belgium (42)	141.63	+0.3	109.02	112.57	107.72	105.31	+0.0	5.84
Canada (114)	125.97	+0.4	96.97	100.13	95.81	108.96	+0.5	3.20
Denmark (35)	231.55	+1.5	178.24	184.06	176.12	177.62	+1.1	1.98
Finland (15)	68.20	-0.1	52.50	54.22	51.88	57.56	-0.2	2.45
France (104)	157.55	+0.6	121.28	125.23	119.83	122.58	+0.3	3.67
Germany (64)	116.48	+0.9	89.66	92.60	88.59	88.59	+0.5	2.58
Hong Kong (53)	234.69	-2.6	180.66	186.55	178.51	233.09	-2.6	3.59
Ireland (16)	156.97	+0.8	120.83	124.77	119.39	121.82	+0.3	4.33
Italy (78)	63.25	+2.9	48.69	50.27	48.10	52.44	+2.3	3.95
Japan (473)	90.14	+1.1	69.39	71.65	68.57	71.65	+0.7	1.19
Malaysia (69)	228.08	-1.7	175.57	181.29	173.48	219.60	-1.7	2.87
Mexico (18)	1369.70	-0.9	1054.36	1088.75	1041.81	4631.18	-0.2	1.30
Netherland (25)	163.32	+0.7	125.72	129.82	124.22	122.88	+0.3	4.56
New Zealand (14)	43.14	+1.8	33.20	34.29	32.81	42.51	+1.7	5.34
Norway (23)	156.17	+0.5	120.21	124.14	118.79	122.20	+0.3	2.06
Singapore (38)	183.86	-0.2	141.53	146.15	139.84	136.54	-0.2	2.42
South Africa (61)	187.49	-0.5	144.33	149.03	142.61	156.87	+0.7	3.25
Spain (49)	136.31	+1.2	104.93	108.36	103.68	96.81	+0.8	6.07
Sweden (30)	183.71	+0.5	141.42	146.03	139.74	144.82	+0.1	2.84
Switzerland (62)	111.65	+1.2	85.94	88.75	84.93	91.02	+0.5	2.36
United Kingdom (228)	181.32	+1.3	139.58	144.12	137.90	139.58	+0.8	5.25
USA (522)	171.45	+0.2	131.98	136.29	130.41	171.45	+0.2	2.93
Europe (790)	145.97	+1.2	112.36	116.03	111.03	112.22	+0.7	4.25
Nordic (103)	169.84	+0.8	130.73	135.00	129.18	127.67	+0.4	2.48
Pacific Basin (715)	96.36	+0.8	74.18	76.60	73.30	77.87	+0.5	1.58
Euro-Pacific (1505)	116.42	+1.0	89.62	92.54	88.55	92.10	+0.6	2.93
North America (636)	168.61	+0.2	129.79	134.04	128.27	167.19	+0.2	2.95
Europe Ex. UK (562)	124.56	+1.0	95.88	99.03	94.76	96.47	+0.6	3.53
Pacific Ex. Japan (242)	157.74	-0.9	121.42	125.40	119.99	142.33	-1.0	3.79
World Ex. US (1698)	118.29	+0.9	91.05	94.03	89.97	94.43	+0.6	2.93
World Ex. UK (1992)	130.95	+0.5	100.80	104.10	99.61	115.67	+0.4	2.63
World Ex. So. Af. (2159)	135.01	+0.6	103.93	107.33	102.70	117.51	+0.4	2.93
World Ex. Japan (1747)	160.30	+0.5	123.39	127.43	121.94	144.55	+0.3	3.44
The World Index (2220)	135.30	+0.6	104.15	107.55	102.92	117.88	+0.4	2.93

FRIDAY AUGUST 14 1992 / DOLLAR INDEX

Figures in parentheses show number of lines of stock	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	131.66	101.85	105.07	100.52	121.55	153.68	131.66	140.72
Austria (19)	141.21	109.24	112.69	107.81	107.66	186.70	139.27	154.89
Belgium (42)	141.16	109.20	112.65	107.77	105.31	152.27	135.87	118.04
Canada (114)	125.48	97.07	100.13	95.79	108.40	142.12	124.32	138.05
Denmark (35)	228.24	176.56	182.15	174.25	175.70	273.94	226.72	232.20
Finland (15)	68.27	52.81	54.49	52.12	57.66	89.80	68.20	89.53
France (104)	156.56	121.12	124.94	119.52	122.24	168.75	148.06	119.11
Germany (64)	115.49	89.34	92.18	88.17	88.17	129.69	114.67	94.15
Hong Kong (53)	241.01	186.45	192.34	184.01	239.22	259.55	176.38	154.66
Ireland (16)	155.79	120.52	124.33	118.94	121.48	173.71	151.78	138.30
Italy (78)	61.49	47.57	49.07	46.95	51.25	80.86	61.30	64.76
Japan (473)	89.12	68.94	71.12	68.05	71.12	140.95	87.32	118.23
Malaysia (69)	232.12	179.57	185.24	177.21	223.50	250.47	212.49	189.18
Mexico (18)	1381.55	1068.76	1102.54	1054.77	4641.81	1789.77	1303.41	1130.15
Netherland (25)	162.16	125.45	129.41	123.81	122.53	167.29	147.88	128.01
New Zealand (14)	42.38	32.79	33.83	32.36	41.78	48.52	42.01	46.34
Norway (23)	155.34	120.17	123.97	118.60	121.82	192.95	153.28	178.58
Singapore (38)	184.20	142.50	147.00	140.63	136.75	229.63	183.86	172.09
South Africa (61)	188.47	145.80	150.40	143.88	155.72	263.60	187.49	232.71
Spain (49)	134.67	104.18	107.47	102.81	96.05	161.72	133.79	132.34
Sweden (30)	182.84	141.44	145.92	139.60	144.67	200.28	173.09	171.13
Switzerland (62)	110.31	85.34	88.04	84.23	90.55	113.88	95.99	85.25
United Kingdom (228)	178.92	138.41	142.77	136.59	138.41	200.07	165.85	165.63
USA (522)	171.13	132.38	136.57	130.66	171.13	173.10	160.92	153.08
Europe (790)	144.30	111.63	115.16	110.17	111.45	156.88	139.31	126.41
Nordic (103)	168.50	130.35	134.47	128.64	127.11	188.52	167.78	169.14
Pacific Basin (715)	95.56	73.93	76.27	72.96	77.50	141.97	94.15	119.73
Euro-Pacific (1505)	115.27	89.17	91.99	88.00	91.55	145.21	113.80	122.68
North America (636)	168.27	130.17	134.30	128.49	166.85	170.31	158.70	152.07
Europe Ex. UK (562)	123.30	95.38	98.42	94.16	95.91	132.98	121.81	103.58
Pacific Ex. Japan (242)	159.13	123.10	127.01	121.50	143.73	175.31	149.00	134.60
World Ex. US (1698)	117.20	90.66	93.53	89.48	93.89	146.91	116.18	124.97
World Ex. UK (1992)	130.27	100.78	103.97	99.47	115.25	150.58	127.21	130.45
World Ex. So. Af. (2159)	134.17	103.79	107.08	102.44	117.03	153.05	130.04	132.85
World Ex. Japan (1747)	159.56	123.44	127.35	121.84	144.09	165.40	153.20	142.88
The World Index (2220)	134.47	104.03	107.32	102.67	117.40	153.70	130.66	133.51

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Belgian market closed August 17.